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## **East Europe**

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## EAST EUROPE

### CONTENTS

#### POLITICAL

##### ALBANIA

- Relations With Yugoslavia After Hoxha Examined  
(Jens Reuter; SUEDEST EUROPA, Jan 87) ..... 1

##### CZECHOSLOVAKIA

- Water Pollution Program Lags Behind  
(Ivan Hájek; RUDE PRAVO, 29 Jul 87) ..... 9

##### GERMAN DEMOCRATIC REPUBLIC

- Church Journal Criticizes Berlin Glorification  
(Gottfried Mueller; GLAUBE UND HEIMAT, No 29, 19 Jul 87) 12

##### HUNGARY

- Free Speech for a Fee Forum Organized by KISZ  
(Andrea Nagy; ESTI HIRLAP, 4 Jun 87) ..... 14

- Insecurity, Anxiety, Tensions Characterize Private Sector  
(Tamas Szonyei; MAGYAR IFJUSAG, 1 May 87) ..... 16

- Minorities Urged To Play Bridging Role in East Europe  
(Emil Niederhauser; TARSADALMI SZEMLE, No 5, 1987) ..... 19

Communist Youth League Developments (Various sources, various dates) .....	23
Membership at Schools Drops, Laszlo Kajos Interview	23
Cooperation With Military Renewed	23
Statement Supports Economic Reform	24
POLAND	
Party Role in Spurring Innovative Changes Stressed (Tomasz Kalinowski; GAZETA WSPOLCZESNA, 11-12 Jul 87) ...	27
Briefs	
Transportation Modernization Under Fire	30
History Education for Youth	30
MILITARY	
GERMAN DEMOCRATIC REPUBLIC	
Defense Minister Sees Forces at Defensive Level (Heinz Kessler; VOLKSARMEE, No 26, 22 Jun 87) .....	31
Training at Bezirk Civil Defense School Outlined (Gerhard Haedrich Interview; SCHUETZEN UND HELFEN, No 2, 1987) .....	37
ECONOMIC	
INTRABLOC	
Soviet Training of Interflug Personnel Outlined (Horst Muellers; TECHNISCH-OEKONOMISCHE INFORMATION DER ZIVILEN LUFTFAHRT, No 2, 1987) .....	40
GERMAN DEMOCRATIC REPUBLIC	
Production Process Acceleration Examined (Fritz Haberland; EINHEIT, No 6, Jun 87) .....	44
Consumer Goods Quality Improvement Techniques Sketched (Reiner Krannich; EINHEIT, No 6, Jun 87) .....	52
HUNGARY	
Firms Advertise for Austrian Joint Venture Partners (DIE INDUSTRIE, 27 May 87) .....	60
Private Enterprise Incomes, Tax Situation Analyzed (Dezso Suto; FIGYELO, 4 Jun 87) .....	63

Faster Development of Market Mechanisms Urged (Bela Szikszay Interview; FIGYELO, 2 Jul 87) .....	68
POLAND	
Computer Center in Moscow (Andrzej Bajorka; ZYCIE WARSZAWY, 31 Jul 87) .....	74
Law on Innovative Companies Published (DZIENNIK USTAW, No 22, 28 Jul 87) .....	76
Changes Planned in Semi-Private Franchise Sector Regulations (RZECZPOSPOLITA, 14 Aug 87) .....	82
Update on First Bond Issues (Joanna Solska; POLITYKA, No 30, 25 Jul 87) .....	84
Results of Lodz Factory Vote on Stock Sales (Marian Strzelecki; RZECZPOSPOLITA, 10 Aug 87) .....	88
Briefs	
Border Trade With Kaliningrad	90
USSR Rail Transport Cooperation	90

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## RELATIONS WITH YUGOSLAVIA AFTER HOXHA EXAMINED

23000337 Munich SUEOST EUROPA in German Jan 87 pp 10-18

[Article by Jens Reuter]

[Text] Historical Foundations of Yugoslav-Albanian Relations

Yugoslav-Albanian relations between 1948 and 1985 could be roughly characterized as follows: Normalcy on the governmental level, irreconcilable enmity in the ideological-political arena. Normal relations on the governmental level were and continue to be, at least from the Albanian point of view, essential. The SFRY is traditionally Albania's largest trade partner. A considerable percentage of Tirana's agricultural exports are intended for the middle European market; therefore, a key role as a transit country falls to Yugoslavia. Albania's connection to the European rail network likewise leads only across the SFRY. Consequently, relations with Yugoslavia assume a central place in Albanian foreign policy for objective reasons.

From Belgrade's point of view, relations with Tirana naturally are of considerably less value. They are of secondary importance economically; their political significance has been underestimated for decades. Belgrade dealt with the ideological controversy with the Stalinist Enver Hoxha but considered it more a compulsory exercise than a serious dispute. Not until the outbreak of the bloody riots in the Kosovo province with its ethnic Albanian majority (spring 1981) did Tito's successors become aware of the fact that the stability of the Yugoslav federation was threatened by "enemy influences" from Tirana. A new realization dawned on party circles that they were extremely inadequately informed about their apparently insignificant neighboring country of Albania. To remedy this state of affairs, in the last 5 years a number of books about relationships in Albania, the Kosovo problem and the history of Yugoslav-Albanian relations have appeared. (Footnote 1) (cf.: Pero Zlatar, Glasnik iz Tirane. Albanija u eri Envera Hoxhe. Vol. 1 and 2. Zagreb, 1984. Panajot Pljaku, Nasilje nad albanskom revolucijom. Belgrade, 1984. Spasoje Djakovic, Sukobi na Kosovu. Belgrade, 1984. Hajredin Hodza, Afirmacija albanske nacionalnosti u Jugoslaviji. Staljinisticki nacionalizam i irredentizam u Albaniji. Pristina, 1984. Sta ikako dalje na Kosovu? Publication of the Socialist Alliance. Belgrade, 1985. Ilija Vukovic, Autonomastvo i separatizam na Kosovu. Belgrade, 1985. Batric Jovanovic,

Kosovo, inflacija, socialne razlike. Belgrade, 1985. Yugoslav-Albanian Relations. Publication of the REVIEW OF INTERNATIONAL AFFAIRS. Belgrade, 1984.) The spectrum of this literature ranges from pure propaganda to attempts at a scientific description.

In the following, Enver Hoxha's position with regard to Yugoslavia is briefly outlined, because it has already become clear that the perceptions of the former party chief have retained their vigor for Albanian foreign policy even after his death. In spite of the changes of line which Enver Hoxha carried out between 1948 and 1985, there was a constant in his foreign policy, i.e., its pronounced anti-Yugoslav component. Hoxha's traumatic relationship to the apparently stronger neighboring country had its roots in the by no means unfounded fear between 1945 and 1948 that Albania would fall victim to the Yugoslav efforts at hegemony. The break between Tito and Stalin in the summer of 1948, the consequence of which was the exclusion of Yugoslav Communists from the Cominform, introduced a period of "steadfast Soviet-Albanian friendship" because Hoxha was convinced of having found in Moscow an ally against Belgrade which was as strong as it was dependable. Consequently, he brought up the Kosovo problem with the approval of the USSR and made scarcely veiled territorial claims on Yugoslavia.

The restoration of normal relations between the Soviet Union and Yugoslavia (1955/56) was labeled in retrospect by the Albanian party chief as a "betrayal," which rendered further cooperation of his country with Moscow impossible. Hoxha's thinking was as follows: Whoever cooperates with Belgrade is an enemy of Albania. Whoever enters into relations with the revisionist Tito is himself a revisionist. Hoxha expressed this simple logic with the following words: "For us the struggle against Yugoslav Titoism is the touchstone against which we measure the behavior of a party from the Marxist standpoint." (Footnote 2) (Enver Hoxha, "The Chruschtschowianer" [The Khrushchevites]. Tirana, 1980, p. 502)

Hoxha's break with Moscow (1961) and his turn toward Peking was a consistent result of the dogma cited above. At this time the PRC was the strongest and most irreconcilable opponent of the Yugoslav Communists, whose "revisionism and open abandonment of Marxism-Leninism Peking reproached. Albania did not distance itself from China until a Chinese-Yugoslav rapprochement was signed in 1978. Hoxha was never able to come to terms with what he called "the Maoists' genuflection before Tito."

After the break with both communist superpowers, who had shown themselves to be unreliable allies against Belgrade, Hoxha laid the foundations of his isolation policy. However, his strong attacks against Yugoslavia did not abate. He accused Belgrade, or rather the Serbs, who personified Yugoslavia as far as he was concerned, of oppressing and exploiting the ethnic Albanians in Kosovo. With all the sharpness of his verbal attacks, however, he very wisely abstained from making any territorial claims on the neighboring country.

On the whole, it is obvious that Hoxha's foreign policy thinking was concentrated on what he regarded as the powerful and threatening Yugoslavia. This was not however a matter of an individual character trait, but rather a

very deeply rooted historical tradition. Because the Albanians had been subjected during the course of their history to numerous attacks from their neighboring peoples, not only is xenophobia quite pronounced with them, but one could say that they have developed a sort of "siege mentality." There is, however, general agreement that the Serbs are the ones that they fear the most among all the alleged enemies. It is obvious that the anti-Serb and with it the anti-Yugoslav tradition has retained its significance even following Enver Hoxha's death.

The Yugoslav governmental and party leadership has often accused Tirana of pulling the strings behind the bloody riots and the following subversive activities. This view of things is propagated above all by the "Serb lobby" within the SFRY, which considers the Kosovo ethnic Albanians as an unreliable element and a threat to the stability of the Yugoslav federation and never tires of proposing the most stringent measures to combat Albanian irredentism. This view implicitly contains the acknowledgment that there has been no success in reeducating the Kosovo ethnic Albanians as Yugoslavs. Despite the higher living standard and greater personal and religious freedom that they enjoy compared to their countrymen in their mother country, the majority of the Kosovo ethnic Albanians oppose the Yugoslav government. It would, however, be too simple to trace this negative attitude toward the SFRY merely to propaganda from Tirana. Objectively speaking, the 2 million Yugoslav Albanians are already excluded by definition from a state which calls itself the "Southern Slav State." Although a large amount of economic assistance from Belgrade and a great deal of autonomy have been granted to them, the Kosovo Albanians have always felt like a national foreign body in the Yugoslav federation. Through repressive measures during and after the riots of spring 1981 the trauma of oppression by the Serbs has been further nourished. Thus it was easy for Tirana to slip into the role of a protector of the "persecuted and disenfranchised countrymen in Yugoslavia."

The potential for conflict which had developed historically between Yugoslavia and Albania presented such a heavy strain on bilateral relations that even a change of leadership in Tirana could possibly lead to expectation of gradual improvements in individual areas.

#### Ramiz Alia's Attitude Toward Yugoslavia

In Belgrade the hopes for an improvement in Yugoslav-Albanian relations following Enver Hoxha's death (11 April 1985) were not too great. It was known that the new First Secretary of the AWP, Ramiz Alia, had been picked by Hoxha himself as his successor because he seemed to guarantee continuation of the policies of his predecessor. A commentary in the newspaper VECERNJE NOVOSTI on 12 April 1985 stated: "Ramiz Alia has inherited Hoxha's political line, and it is therefore illusory to anticipate any dramatic change of course." (Footnote 3) (VECERNJE NOVOSTI (Zagreb), 12 Apr 1985)

A few details from Ramiz Alia's biography indicate that he will see no reason to moderate the anti-Yugoslav components of Albanian foreign policy. The parents of the current party chief were residents of Kosovo, but left their home during the period between the two wars because they did not wish to continue to endure the Serbian policy of repression against the Albanian

minority. Thus, it is to be expected that Ramiz Alia is not only extraordinarily well-informed about Kosovo, but that he also has a strong emotional link to the region. (Footnote 4) (Patrick Artisien, "Albania." In: M. McCauley and S. Carter (eds.), "Leadership and Succession in the Soviet Union, Eastern Europe and China." London, 1986, p. 169)

At the end of 1944, at the age of only 19, Ramiz Alia was named political commissioner of the Fifth Albanian Assault Division, which was fighting against the retreating German troops in Yugoslavia. In December 1945, Alia was distinguished with a high Yugoslav medal as a representative of the entire division. However, immediately after the Cominform crisis, there was an effort in Yugoslavia to minimize the military contribution of the Albanian Communists until it was finally removed from the relevant publications. In 1982, when the Albanian press was celebrating Ramiz Alia's military service, the Yugoslav press reacted with scorn and derision to these reports. (Footnote 5) (RFE Background Reports, Albania, 19 Feb 1985) Belgrade was not able to compensate for the personal insult to Ramiz Alia by inviting Albanian war veterans to the Yugoslav capital to join the spring 1985 celebration of the fortieth anniversary of the victory over Hitler's Germany. Tirana politely but firmly declined the invitation.

Ramiz Alia's family background and the personal insults inflicted on him by Yugoslavia suggest the conclusion that he considers the SFRY as Albania's archenemy just as Enver Hoxha did. This impression is reinforced by a speech made by Alia in December 1984 on the occasion of the fortieth anniversary of the liberation of Albania. He first spoke in favor of good neighborly relations with the SFRY only to immediately assert that the objective of Yugoslav policy had always been to annihilate Albania as a country and the Albanians as a nation. Consequently, the SFRY was to be considered Albania's greatest enemy. (Footnote 6) (VJESNIK, 11 Dec 1984) Ramiz Alia was already making these statements on his own since the mortally ill Enver Hoxha was at this time no longer able to engage in Albanian policy.

#### Continuation of the Mutual Polemic

In his speech on the occasion of Enver Hoxha's funeral in April 1985, Ramiz Alia made it clear that he was not willing to leave the "unresolved" Kosovo problem between Yugoslavia and Albania unmentioned. He said: "Comrade Enver Hoxha always raised his powerful voice in defense of the national and democratic rights of the Albanian brothers in Kosovo and in the other regions of Yugoslavia. Because of this principled, legitimate and correct attitude, he was and will forever continue to be loved, respected and honored by all Albanians." (Footnote 7) (ATA (Tirana), 15 Apr 1985)

In a scene hardly to be surpassed in theatricality, Hoxha's widow Nexhmije laid a national flag in the open coffin of her husband in the name of all Yugoslav Albanians. She explained that she was thus fulfilling a wish of the Albanian brothers in Kosovo, who had sent her hundreds of telegrams.

Although the Yugoslav press reported this action in detail, there was no official reaction. During her U.S. trip in May 1985, the then Yugoslav President of the Federal Executive Council, Milka Planinc, explained in an



interview for the NEW YORK TIMES that there were great problems between Tirana and Belgrade because Albania was making claims to Yugoslav territory, mixing in the domestic affairs of its neighbor and supporting subversive activities there. A spokesperson for the Albanian Ministry of Foreign Affairs responded that the Belgrade leadership was fabricating false and hackneyed statements to justify its anti-Albanian policy. He added ironically that it would naturally be a very different matter if Mrs. Planinc had made her strange assertions only to direct the attention of the American leadership to her. (Footnote 8) (ATA, 22 Jul 1985)

In July 1985 a lead article in ZERI I POPULLIT made it unequivocally clear that hopes for a change in Albanian policy toward Yugoslavia in the post-Hoxha era were without foundation. The article stated that Enver Hoxha's lesson was also the lesson of history, and neither flattery nor pressure, be it from Yugoslavia or anywhere else, could divert Albania from Enver Hoxha's path. The article stated in reference to the Kosovo problem: "With regard to Kosovo, Enver Hoxha's position and that of the AWP was always principled and consistent, a position based on justice and truth, supported by the courage and the determination to reject the chauvinistic line and the anti-Albanian actions of the Yugoslav leaders openly and promptly." (Footnote 9) (ZERI I POPULLIT, 25 Jul 1985)

In the first foreign policy speech which he gave as First Secretary of the AWP in August 1985 in Korce, Ramiz Alia shattered any hopes for an improvement in Albanian-Yugoslav relations in the short term. He explained: "Despite all our efforts, Yugoslav foreign policy has always been fundamentally anti-Albanian.... In practice, this has repeatedly been confirmed by Belgrade's attempts to make the independent Albanian country into a Yugoslav colony and to denationalize the ethnic Albanians of Yugoslavia." (Footnote 10) (BBC Summaries of World Broadcasts, Eastern Europe, EE 8041, 28 Aug 1985) The Croatian news magazine DANAS commented as follows on this speech: "Ramiz Alia has made it very clear in Korce that there will be no changes and that Albanian foreign policy will be carried out in the same spirit which distinguished that policy for more than 40 years under Enver Hoxha." (Footnote 11) (DANAS, 10 Sep 1985)

The official Belgrade thesis according to which the Albanian "irredentists" in Kosovo were obtaining their political guidelines and the financial means for their underground struggle from Tirana always appeared unlikely to neutral observers. Albania had, in fact, never opened its borders to the "persecuted brothers from Kosovo." When fugitives nevertheless succeeded in crossing the border, they were usually isolated for a short time and then sent back to Yugoslavia. That very thing happened in early October 1985 to two political prisoners of Albanian nationality who broke out of the prison in Pec and fled to Albania. They were handed over to the Yugoslav authorities. It would, however, be a mistake to assume that Tirana wished to make a gesture of good will toward Belgrade thereby. The Albanian nationalists in Kosovo, who mostly hold radical views counter to the Albanian socialist model, are deeply suspect to the regime in Tirana. They are considered unreliable, unpredictable and not ideologically steadfast.

In late 1985, it seemed as if there would be a slight improvement in Yugoslav-Albanian relations. Yugoslav Federal Secretary for Foreign Trade Milenko Bojanic visited Tirana and signed with his Albanian counterpart a foreign trade agreement which provides for a considerable increase in the bilateral exchange of goods through 1990. The Titograd-Shkoder rail line, which is to connect Albania to the European rail network, was finished. The opening of this link which is extremely important for Tirana was however repeatedly delayed by the Yugoslavs on flimsy pretexts. Belgrade obviously believed it had a pawn with which it could force Albanian concessions in other areas.

The deterioration in the climate of bilateral relations was expressed in a speech by Ramiz Alia in early February of 1986 in the north Albanian city of Mirdite. The First Secretary of the AWP said that there was unfolding in Kosovo and other territories of Yugoslavia a "Pan-Serbian chauvinistic hysteria," which could easily lead to a "genocide of the Albanian brothers and sisters" in the SFRY. Consequently, he must call upon the Albanian nation, and also the other peoples of Yugoslavia, to resist the Serbs. At the same time, Ramiz Alia stressed that he did not wish to mix in the domestic affairs of the neighboring country, but was concerned that Yugoslavia could become a football of the super powers because of its domestic instability. (Footnote 12) (DANAS, 18 Feb 1986 and KOMUNIST, 14 Mar 1986)

It was clear that such statements would have to engender strong Yugoslav reactions. At the 14th Conference of the Kosovo League of Communists, which took place on 28 and 29 April 1986, all major speakers complained about the "hostile propaganda and subversive activities" on the part of Tirana. The veteran top official Ali Sukrija explained: "Ramiz Alia has recently come forward with the gravest of attacks against the SFRY. Their style was identical to that of Enver Hoxha, but this time the source was [Ramiz Alia] himself. Before his own and world public opinion he characterized Yugoslavia as an unstable country, which was as a consequence engendering instability in the Balkans. One does not need to be especially clever to know to whom Ramiz Alia was addressing these words. His messages and appeals are directed primarily to all hostile and subversive forces among the Albanian nationalists in Kosovo and Yugoslavia. He is asking them to intensify their activity as a fifth column and to work against the independence and integrity of the SFRY.... The People's Republic of Albania has often made clear that if danger threatened the integrity of Yugoslavia, it would rush to the aid of the peoples of Yugoslavia and also to the aid of its "brothers in Kosovo." Such statements express the two-faced, hypocritical policy and the appeal to all imaginary allies of Ramiz Alia--i.e., the enemies of the SFRY--that they can count on his help if they want to dismember Yugoslavia to realize Enver's and Alia's dream of the creation of a greater Albania." (Footnote 13) (KOMUNIST, 9 May 1986)

In mid-May 1986 the theoretical organ of the LCY, KOMUNIST, stated in a commentary: "Ramiz Alia is consistently continuing the anti-Yugoslav policy of his predecessor Enver Hoxha. And while it is attempting to develop cooperation with numerous, primarily Western countries, Tirana is displaying an unaltered enmity toward Yugoslavia. For this reason Yugoslavia's initiatives for normalization of relations have no chance for realization." (Footnote 14) (KOMUNIST, 16 May 1986)

Like Belgrade, Tirana also is attempting to shift the blame for the continually deteriorating bilateral relations to the other side. In mid-May 1986, a lead article in ZERI I POPULLIT complained of the "rampant anti-Albanian campaign," which was only being carried out in Yugoslavia to divert attention from other great and numerous problems. Albania had no intention of mixing in the domestic affairs of the SFRY, but must oppose the "Pan-Serbs," who wanted to annihilate Albania as a country and the Albanians as a nation. Albania had always worked for good relations, yet the SFRY had effectively torpedoed all overtures for cultural and economic cooperations on sometimes ridiculous pretexts. The most recent example of such activity was the refusal to open the Titograd-Shkoder railway. Nevertheless, Albania was ready for a cultural exchange in the form of art exhibitions, concerts, poetry readings and sports events in both countries. (Footnote 15) (FAZ, 15 May 1986)

The TANJUG press agency and the Croatian newspaper VJESNIK reacted to this offer with ironic commentaries. The news magazine NIN stated laconically that cooperation with Albania was not in Yugoslavia's interest. (Footnote 16) (NIN, 18 May 1986) Also at the 13th Congress of the LCY at the end of June of last year strong attacks were raised against Albania. A resolution on Kosovo stated that the Socialist People's Republic of Albania was continuing its open and grave mixing in the domestic affairs of Yugoslavia. The irredentistic and nationalistic indoctrination of Yugoslav citizens originating in Tirana presented a serious danger for peace and security in the Balkans. (Footnote 17) (SOZIALISTISCHE THEORIE UND PRAXIS (Belgrade), No. 6/7 1986.

At the 9th Congress of Albanian Communists, in early November of last year, the attacks against Yugoslavia continued in the traditional style. A Belgrade observer wrote that he had been able to see no difference from the last party congress (November 1981) under Enver Hoxha. (Footnote 18, NIN, 16 Nov 1986)

#### Economic Relations

There is a firm tradition in Yugoslav-Albanian relations of not allowing the economic contacts between the two countries to suffer from the irreconcilable enmity in the ideological-political arena. This tradition has also been preserved in the post-Hoxha era.

In May 1985 governmental representatives of the two countries met and, after 2 weeks of negotiations, signed an agreement on the opening of the Shkoder-Han i Hoti-Titograd rail line. The line which is temporarily reserved for freight only was opened in early September 1986. The rail line is 25 km long on the Yugoslav end and almost 30 km long on the Albanian end. The two governmental committees reached agreement to speed up reciprocal cooperation in water, land and air transportation. Whereas Tirana has often accused Belgrade of delaying the opening of the finished rail line for political reasons, Yugoslav representatives explain the delay with the chaotic organizational structure and the chronic financial distress of the Yugoslav railroad.

Albania is currently maintaining economic relations with approximately 50 countries, but its neighbor country Yugoslavia is the most significant partner with a 15-percent share of Albanian foreign trade. The following table reflects this state of affairs.

Albanian Trade With the Most Significant Partner Countries (in millions of U.S. dollars)

<u>Country</u>	<u>Exports To</u>		<u>Imports From</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
Entire EC	79.3	73.8	88.4	83.6
including:				
Italy	28.1	27.2	27.0	21.3
France	7.9	11.5	15.3	27.8
Germany	16.6	14.7	22.2	14.4
Greece	18.8	10.2	8.3	7.1
Yugoslavia	50.0	43.0	38.0	46.0
Hungary	8.7	8.3	10.3	7.7
Austria	6.4	8.3	5.1	4.7

For 1984 bilateral trade with Yugoslavia valued at \$120 million was planned; however, the values actually achieved were Albanian exports of merely \$43 million and imports of \$46 million from Yugoslavia. The value of the bilateral exchange of goods was to be \$130 million in 1985 (including \$70 million in Albanian exports); no data is yet available for the trade volume achieved in 1986.

In November 1985 the trade and payments agreement between Albania and Yugoslavia for the 1986-1990 5-year planning period and the trade and payment protocol for 1986 were signed in Tirana. Under these agreements Albania will, as before, deliver electrical energy, chromite, tobacco, chemicals, consumer goods, arts and crafts items as well as ready-to-wear goods to the SFRY. Yugoslav exports to Albania consist of ferrous and non-ferrous metal products, machinery and equipment, consumer goods, pipe and synthetic fibers. (Footnote 19) (ZERI I POPULLIT, 17 Nov 1985)

By the end of 1986 the Yugoslav firm Energoinvest (Sarajevo) was to deliver machinery and equipment for oil drilling valued at \$105 million to Albania. A contract to that effect between Energoinvest and Makinaimport (Tirana) was signed in April 1986. (Footnote 20) (TANJUG, 24 Apr 1986)

It is unlikely that the cooperation in the economic arena can bring about a cease-fire in the propaganda campaign which both sides are waging against each other. The positions in the ideological trench warfare are so dug in that neither of the two partners will even consider working toward a compromise of any sort.

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## WATER POLLUTION PROGRAM LAGS BEHIND

24000381 Prague RUDE PRAVO in Czech 29 Jul 87 p 4

[Article by Eng Ivan Hayek, Committee for People's Control of the CSSR:  
"Streams or Sewers?"]

[Text] Environment has become in recent times a criterion of the living standard achieved by the population. Its important component is the purity of water which, unfortunately, has been steadily deteriorating over the past 15 years. Despite the adoption of partial measures, the extent of water pollution is up almost 40 percent.

Nevertheless, the requirements of water consumption have risen--and continue to rise. To turn this trend around, the federal government, proceeding from the decisions of the 17th CPCZ Congress, adopted for the Eighth 5-Year Plan programs for environmental protection, including investment projects and deliveries amounting to Kcs 17 billion, of which Kcs 11 billion is for water purification.

The original directive for the 5-year plan included 119 programs, but during the drafting of the Eighth 5-Year Plan their number in the approved plan was increased to 140. However, 36 of the key construction projects were eliminated from the plan. The CSSR government had declared most of them, for example, the waste purification stations in Zvolen, Poprad and Karvina, priority programs already for the Seventh 5-Year Plan.

Thus far the program of the Eighth 5-Year Plan has not met even the task assigned by the Main Directive for the Socioeconomic Development of the CSSR for the 1986-1990 Period with Projections to Year 2000--i.e., to designate the allocated funds for individual ecological programs. In order to fulfill the mandatory volume indicator of the investment program, central planning agencies--in agreement with the branch ministries and the KNV [Regional National Committee]--also included in the ecological program, with budgeted costs of Kcs 1.1 billion, construction projects which are in fact neither ecological programs nor do they develop facilities for the production of equipment for environmental protection.

According to estimates the budgeted costs of the implementation of Action Z in 1986-1990 will amount to more than Kcs 1.5 billion. Although we do not wish to minimize their local importance, their addition to the ecological program is a sign of the fragmentation of original plans. Contrary to the directive, the launching of 5 construction programs in this 5-year plan has been delayed (for 3 years) and consequently, the contribution of the construction projects included in the plan will fall 16 to 20 percent below the directive.

Yet even these "downplayed" plans have not been implemented. Early this year the situation was such that in their proposals the organizations had to postpone the deadlines for the launching or completion of the construction of one-third of the projects. These important construction projects include, for instance, waste water purification stations in Bratislava-Petrzalka, Ostrava, Usti nad Orlici, Velke Mezirici, etc. The postponement of these programs was due mostly to the agreements concluded between investors and contractors. The failure to fulfill ecological programs according to the schedule set for the Eighth 5-Year Plan means that programs scheduled to begin operation in 1995 have been only 75 percent fulfilled.

One of the reasons why the approved tasks of the 5-year plan have not been met is above all the instability of the ecological programs. Several construction projects (for instance, the central water treatment station of the New Metallurgical Works of Klement Gottwald, a sugar plant in Trnava, etc.) had been included in the ecological program during the drafting of the directive, then cancelled in the proposal of the plan, and reinstated in the final plan. Such a procedure led to justified distrust of the investors and contractors and affected their attitude to the fulfillment of construction programs.

As compared with the directive, the undesirable changes in the schedule of the construction projects stemmed from the fact that the ministries and the KNV had failed to oversee the preparations for projects designated for launching according to the directive, and that they had not taken steps to overcome the delay. Even central planning agencies did not press for the fulfillment of the tasks. The ministries of forest and water economy in both republics did not assume a properly resolute stance.

The economic measures did not adequately discipline the water polluters. Because operational costs of purification stations are now 60 percent higher than the fees for the release of waste waters, the CSSR government and subsequently, the governments of the republics, instructed the ministries of forest and water economy to submit a proposal for substantial increases of applicable rates before 31 December 1984. Even this task has not been met to this day.

In addition, the delay in the preparations for the construction projects is due to subjective shortcomings of the investors and suppliers of technology and construction works who submitted incomplete documentation for approval to central agencies, and procrastinated with planning,

technical design and deliveries. It is noteworthy that in view of the limited funds, the investors excluded from the proposals certain investments essential for an effective operation of the purification stations, particularly the construction of sewer systems.

A separate chapter consists of the so-called exemptions in the form of temporary permits to release polluted waste waters, which the governments of both republics granted to some organizations in the previous 5-year plan and which contradicted the regulations of the law on polluted waste water. No more than one-fourth of 2,218 exemptions valid until the end of 1985 complied with the conditions for such a permit. The ministries in question left the decision to the discretion of their subordinate agencies which failed to enforce the regulations.

Even more serious is the fact that although the adopted measures apply to the already existing sources of pollution, they disregard the newly developing sources. The environment has considerably deteriorated in the Eighth 5-Year Plan due to the attitudes of the KNV and the planning agencies to comprehensive housing construction. Although according to the law of water supply, the investment agencies building residential housing are obligated to remove and purify waste water and although decision No 180 of 1984 by the CSSR government makes new construction contingent on the fulfillment of this obligation, 202,000 housing units to be completed in the Eighth 5-Year Plan have not provided for the removal of waste water. Investors, particularly the KNV, expect that the governments of the republics will again grant them exemptions and although central planning agencies have been repeatedly charged with this task, they are not dealing with this problem. Moreover, in the Eighth 5-Year Plan, 9 waste water purification stations in the CSR were eliminated from comprehensive housing construction to be launched according to the directive, and analogically, the SSR plan cancelled 12 such projects, among them for instance the waste water treatment stations in Nachod, Vlasim, Caslav, Jundrichuv Hradec, Ziar nad Hronom, Trencin, Michalovce, Gelnica, and others.

Thus, the fulfillment of the program for comprehensive housing construction in the Eighth 5-Year Plan has aggravated environmental deterioration which will exceed by 37 percent the potential advantages of the ecological program in the CSSR up to 1990. Serious shortcomings have been disclosed in the technology of waste water purification stations whose development thus far has been erroneously focused mainly on small facilities of only local importance. Furthermore, there are shortages of many components for their final assembly. However, the facts ascertained during inspection have shown how important it is to focus the construction of purification stations systematically above all on main sources of pollution.

Environmental protection and development pose a problem which literally affects the public. For the sake of our era and particularly of the future we must neither ignore nor tolerate the shortcomings in this area.

9004/12624

## CHURCH JOURNAL CRITICIZES BERLIN GLORIFICATION

Jena GLAUBE UND HEIMAT in German Vol 42 No 29, 19 Jul 87 p 1

[Article by Dr Gottfried Mueller, editor-in-chief: "Typically German"]

[Text] Which of the two 750 year old cities is more typical for German history--Gera or Berlin? At a meeting of Christian citizens in Gera, the speaker surprised the audience by awarding this distinction to the capital. His statement may be acceptable as a polite bow to Berlin. I definitely dispute its truth.

In fact, everything the learned historian went on to report about the history of Gera and the central German dukedoms proved exactly the contrary. For many centuries, the small and large provincial capitals between Dresden and Meiningen were much more typical than Berlin after its conversion to national capital. In contrast to France, for example, life in Germany was characterized by the decentralization of politics, culture and intellectual life.

This phenomenon is described by the word "particularism." There is no reason to beatify it outright. On the other hand we should not belittle it but acknowledge that it offered far more advantages than greater German arrogance was willing to concede 100 years ago: A balanced cultural development, patriotism not distorted into extravagant nationalism, many and varied liberal and humanitarian impulses.

By the standards of earlier history, it was quite untypical for Berlin--formerly one of these centers--to be compelled to assume the role of overall capital at the time Bismarck founded the Reich. This departure from German tradition involved much glitter but also the successive disasters of the German unitarian state. Berlin is suffering still, because the city is divided by the border separating the two opposing world systems.

The tradition of multiple centers continues to live in the churches. The failure some years ago of the attempt to merge the Protestant Land churches in the GDR into a single United Protestant Church was certainly not fortuitous.

None of the above means that Berlin should not be organized as the administrative center of the GDR. In fact I would like such organization to



assume even more genuinely centralizing functions: A telephone call should go through immediately; a letter mailed at night should get to the addressee in the capital the very next day; it should be possible only 3 days before a business trip to book a hotel room.

On the other hand, nothing in German tradition sanctions any attempt to stretch the relationship between the capital and the republic as a whole to the extent that it would become an uncharacteristic metropolis-provinces relationship. As of now, popular witticisms still manage to brush off disproportions, but--as far as I can see--the threat is steadily growing more serious. We should try and make sure that this threat does not result in qualitative inequalities and contradictions that would be hard to get abolish. Such an adverse development would represent a heavy burden on the future.

For that reason it seems evident that the expansion of the capital by the power of the republic should reverse itself and become the development of the republic with the help of the power, intelligence and self-restraint of the capital. In the subsequent climate of harmony all the people will be glad to celebrate everything good and beautiful created in our republic.

11698

CSO; 2300/352

## FREE SPEECH FOR A FEE FORUM ORGANIZED BY KISZ

Budapest ESTI HIRLAP in Hungarian 4 Jun 87 p 3

[Article by Andrea Nagy: "Democracy on a Shoe String"]

[Text] Hungary's first Hyde Park expired after an hour-long agony. The invitation to the cultural center of the Budapest Municipal Gas Works had still been brimming with confidence: "Come where you will be able to voice your views and ideas on anything that, in your opinion, is a matter of public concern." The organizers--the artisans' and the gas works' KISZ locals, with the support of the district's KISZ committee--asked speakers to pay a fee. Anyone wishing to speak could have the floor after paying a fee, at a rate of 20 forints per 3 minutes. This is not cheap, but in exchange a person was told that his proposals could enhance the reform process and democratization.

The audience of 40 consisted mostly of reporters. They all came, I suspect, because of their foreboding. Why do we need a Hyde Park when even on the manicured lawns in London every proposal to save the world is merely a voice crying in the wilderness? Why should something that is merely a tourist attraction in London be a political factor in our country? And is there any reason to hope, with due modesty, that the spontaneous proposals might be essential to the country's future?

The spokesman for the cultural center felt that he was reassuring the doubters effectively when he told them not to take the whole thing too seriously, because it was merely a game.

Could it have been taken seriously at all? The man who had originally come up with the idea of organizing such a forum, the owner-operator of a private cab, was the first speaker. He outlined his political program. What we learned from it was at most how one-sided and oversimplified the interpretation of the reform process and democratization can be. The other principal speaker proposed--in conjunction with the reform process and democratization, of course--that more KISZ meetings be held at his factory.

There were only these two speakers in the first round of the Hungarian version of Hyde Park. More hands were raised after an awkward and lengthy period of silence, but then the people began to debate whether the form

itself was suitable for what the organizers had intended. After an hour, the democratic forum expired. And although the organizers did not regard the developments as a failure, some things did give me food for thought.

For example, is it permissible to ape Western "democratic" models without knowing exactly what we are borrowing, and what purpose it can serve in Hungarian practice? Is it not harmful to believe that the development of democracy can be solved merely by putting new political institutions in place? Did the organizers stop to consider at all why existing political institutions are not being fully utilized? And why does nobody go to, say, his council member during the office hours for receiving constituents?

Tuesday evening there was a perceptible effort to place today's complicated social and economic processes on the agenda in readily understandable form. The intention was commendable, but it was a matter of taste and intelligence that interpretation turned into babbling. In my opinion, democracy is not a game. A game's characteristic is that we are pretending action, instead of really acting. Is this not exactly what we have been fighting against for decades?

It would obviously be edifying to analyze what those young people mean by democracy, on the basis of that forum. What they mean, I suppose, is that democracy also guarantees everyone's being knowledgeable about everything; all one has to do is to stand up and speak, and presto, there is immediate progress. This illusion is contagious these days: everyone has become an economic and political expert, and every other person has an infallible program for the nation's prosperity.

Is there perhaps no need for the opinion of private cab owner-operators? There certainly is, especially now. But the speakers confused their roles. They were under the misconception that they had to take over responsible positions of leadership. Would it not have been more useful had they spoken about the experience of their own workplace or neighborhood? The organizers likewise confused their roles. For we do not need a Hyde Park. And not because no one takes it seriously even in London, but because what politics is striving to achieve is precisely that people express their views before official forums, rather than on the street. At the briefings that the council members hold for their constituents, for example, when neighborhood problems are the subject of discussion.

And yet I am unable to disapprove of those who bought tickets Tuesday night to gain the right to speak. The confusion of roles is not their fault; they merely responded to a misinterpreted expectation. Which again shows that we do not yet know how the individual should become involved with national issues.

1014

CSO: 2500/421

## INSECURITY, ANXIETY, TENSIONS CHARACTERIZE PRIVATE SECTOR

Budapest MAGYAR IFJUSAG in Hungarian 1 May 87 p 24

[Article by Tamas Szonyei: "Leaving Capital Idle?"--unattributed boxed material as indicated]

[Text] A scandal seemed to be brewing at the MEDOSZ [Farm and Forestry Workers' Trade Union] headquarters. The conferees attending a three-day symposium, on the place and role of small businesses in the economy, responded with sarcastic grumbling to the announcement that, for health reasons (a radiectomy), the deputy minister of finance would be unable to give his lecture on the changes in the system of monetary and fiscal regulation planned for next year. The keenly awaited lecture was to have been the highlight of the symposium. Flaring tempers were soothed somewhat by the news that a department chief of the ministry would tell the conferees everything they would have heard in the cancelled lecture. With the next announcement, that something unexpected had intervened also for the department chief (international negotiations in her case), the conferees as a body began to demand a refund of their registration fees. But everything was straightened out in the end. In the afternoon the department chief finally gave her lecture, which had been scheduled originally for that morning, and the most important points of her lecture are summarized in the box below. Thus a scandal was averted.

All this is of interest merely because it perfectly characterizes--like a drop from the ocean characterizes the ocean itself--the atmosphere that shrouds small businesses: it is full of uncertainty, mistrust, expectation, resignation, anxiety, sensitivity and nervous tension. Most conferees at the symposium saw the cancellations as confirmation of their view that the government was not taking small businesses seriously, considering a dialog with them below its dignity, and that it did not wish to discuss the changes in the system of regulation for next year because it did not yet have the faintest idea what those changes would be. In the end, the exact opposite of both assumptions was proved at the 9-11 April symposium sponsored jointly by the Machine Industry Scientific Association, which is affiliated with the MTESZ [Federation of Associations for the Technical and Natural Sciences], by the Small Business Section of the Hungarian Chamber of Commerce, and by the Scientific Society for Organization and Management. Which of course does not mean that the contradictions in conjunction with

small businesses have been resolved. As Dr Peter Szirmai, university assistant lecturer, put it: the negative effect of the numerous theoretical problems that still remain unclarified in this area manifests itself in the absence of practical regulation.

Dr Tamas Sarkozy, department chairman at Karl Marx University of Economic Sciences, called attention to the shortcomings in the existing regulations. Take the question of legal entity, for instance. A legal entity is an organization, body or institution that is regarded as a subject at law, distinct from its members. Thus the gmk [business partnership] is not a legal entity, and in this sense it does not exist legally. In practice, however, it functions as an organization, concludes contracts, hires employees, etc. The regulations now in force erect a barrier between the socialist sector and the private sector, in the form of a separate tax commonly referred to as the punitive tax. This barrier hampers the integration of the private sector and the socialist sector. The state enterprise that farms out some work to a gmk has to pay a 20-percent tax, which places the gmk at a disadvantage in its ability to compete. Specifically because they are not legal entities, the unincorporated small businesses find it more difficult to participate in the international economic processes. They are unable to form joint ventures, for example. So-called joint and several financial responsibility prevents idle capital from circulating in the economy, because the owners of such capital fear that they could lose everything, and even the pillow under their heads might be seized and auctioned off. Thus we need company forms in which the members' financial responsibility is limited.

On the whole it is necessary to clarify the ideological confusion that surrounds money begetting money. After all, the person who deposits his money with the OTP [National Savings Bank], or buys a bond, is actually doing what he would be doing if he were investing his money in a business in which he himself is not actively involved: he is investing his capital, to derive additional income. Without any work. Yes, but occasionally the full force of the law comes down on the silent partner. This is why a proportion of private capital, which unquestionably exists, remains idle or is spent on conspicuous consumption, whereas it could be put to much better use in the economy. Of course, fear of illegality is not the only thing that limits capital investment. The present tax system also limits capital investment, because in many instances it provides incentives to hold back performance, rather than for continuous development and activity. (During the year the private artisan or retailer simply stops when he reaches the ceiling above which he would be working only for the tax collector, and this leaves its imprint on the quality of services as well.) On the other hand --as Academician Mrs Faus nee Dr Katalin Szikra pointed out--the constant changing of the rules, regulators and taxes, usually in the direction of making them stricter, is creating uncertainty in this sphere. For example, small businessmen interpret the mentioned punitive tax as a sign of policy, and they are not confident that they will be allowed to continue their businesses permanently. This is also a reason why so many small businessmen are holding on to their main jobs in the state sector, and why the private sector's manpower-absorbing effect is limited. Another consequence of the uncertainty is that a large proportion of the private entrepreneurs want to get rich quickly, at the consumer's expense.

Thus there are many areas requiring regulation. Because at present we are faced with the paradox that although a practically impregnable network of statutory regulations surrounds small businesses, the innumerable decrees do not constitute a unified, integrated whole.

[Box] Taxes in 1988

Dr Anna Szekacs, a department chief of the Ministry of Finance, told a keenly attentive audience that the time has come to give the entrepreneurial sphere another boost. Decisions have been adopted, or can be expected, that want to create a favorable political and business climate. The large enterprise is not an alternative to the small or medium-sized plant; each has a specific place and role in the economy. It is essential to broaden in the coming period the private sector's scope of operation.

Anna Szekacs admitted: "The political statements reaffirming the existence of small businesses as justified have been unable to win the entrepreneurs' confidence, and some of the tax measures have had an exactly opposite effect. In my opinion, the emergence of small-scale organizations alone would have warranted reforming our tax system, but this of course is not the only reason why there is going to be a tax reform. In any event, the planned tax reform will create a climate that will provide the long-term basis for the operation of these organizations and will enable them to be closely integrated into the economic system."

All the details of the tax reform that is to be introduced in 1988 have not been worked out as yet. In any case, value-added tax will be one of the tax reform's basic elements. It will apply to all producers of goods and suppliers of services, regardless of their organization. It will end the discrimination against small businesses (at present their procurement of materials is subject to turnover tax). Value-added tax is a system of taxation and refunds that will apply uniformly to businesses in every category. Personal income tax, likewise uniform, will be another new basic element. It will apply to an individual's combined total income from all sources. Its rates will rise progressively by income brackets and will range foreseeably from 20 to 60 percent. There is no final decision as yet on whether the highest income bracket will begin at 600,000, 700,000 or 800,000 forints of annual income. In addition, businesses will be paying a so-called business tax, the rates and base of which are still being debated. But it is certain that the introduction of this tax will mean the end of the present company tax, employment tax, and even of the much criticized punitive tax.

1014

CSO: 2500/421

## MINORITIES URGED TO PLAY BRIDGING ROLE IN EAST EUROPE

Budapest TARSADALMI SZEMLE in Hungarian No 5, 1987 pp 69-71

[Article by Emil Niederhauser, historian: "Socialist National Consciousness"]

[Text] When Marxist theory evolved in the middle of the last century, national movements were playing an important role everywhere in Europe. Marxist theory, too, took this fact into account and incorporated it in its system. The gist of this theory [regarding nations] is as follows: the nation is a historical category that developed with the victory of the capitalist system, under the leadership of the bourgeoisie, to establish bourgeois class rule. Thus the bourgeois nation is a phenomenon, unquestionably a very important one, in the era of capitalism. In bourgeois national states, also the state helps to develop national consciousness, which--with other class components--is a part of social consciousness. An essential element of national consciousness is that it regards the given nation, one's own nation, as the highest form of society's organization, and the individual gives his loyalty to that nation. At the same time, of course, he is linked not only to his nation, but also to a class, a stratum, a neighborhood, a family, and other close collectives.

The question of what were the objective basis [production relations] and antecedents of national consciousness was raised only much later. Which is also true of the question of what new components of [social] consciousness replace bourgeois national consciousness under socialism, once revolution overthrows the capitalist system. This is already the problem of socialist national consciousness.

When we look around Europe and the world today, it would be difficult to deny the occasionally stormy stirring of national sentiments, even in the socialist countries. However, we must also realize that the socialist countries do not yet have sufficient historical experience from which to draw conclusions that could be regarded as final. The socialist countries of Asia emerged under conditions so different from those of the European socialist countries, and after antecedents so different, that their experience is not of much use to us in this respect.

The European socialist countries' national development proceeded along two roads. Before the emergence of modern nations, in the period of becoming nations, these peoples lived within multinational empires, as the dominant or the subjugated, oppressed peoples. After 1917, the peoples of one-time Russia remained together, in a socialist federal union. The others attained independent national existence (as national states) either gradually (in the 19th century) or suddenly (in 1918), and thus lived for a time under capitalism. They embarked on the socialist road of development only after 1945. Even though their economic and social changes occurred for the most part with turbulent speed, we know very well that the changes in consciousness have trailed behind the rapid economic and social changes, at a much slower pace. The fact that the small countries of Eastern Europe are national states seems to have preserved in a way their earlier national consciousness that had evolved still on a bourgeois basis.

Thus the socialist nation, together with socialist national consciousness, evolved from its immediate predecessor, the bourgeois nation. The basic characteristics of a nation in the capitalist era were a common language (by then the common, uniform, literary language taught in school) and knowledge of the nation's past; in other words, a certain historical awareness and an awareness of being different from others, a kind of "we-they" awareness. National characteristics are the decisive in culture, but they manifest themselves in everyday customs as well. I would include among the latter also such obvious phenomena as taste, dress and cuisine. In contrast with the basic characteristics mentioned earlier, however, these should be regarded rather as secondary elements. But it is undeniable that specifically such secondary elements are preserved also in the socialist era.

By now it should be clear to everyone that a person's everyday consciousness--at a higher level, his social consciousness--contains more and more general elements that have nothing to do with national characteristics. We know that there is no Hungarian, American or Soviet computer, indeed there is no socialist or imperialist computer. There is only a good or an even better, more-modern computer, whatever the social formation. We could fill page after page with similar examples. The number of national traits seems to be diminishing in the habits of everyday life as well. Take the positive and negative features of living in big cities, for instance; they are present in every big city, although in their specific forms. Rock and pop music hardly recognize national boundaries. Dress has long ceased to regard national characteristics as fashionable (folk costumes today are only stage props or collector's items). Clothes today do not even reflect class differences, but are becoming typical of age groups.

The general elements within social consciousness undoubtedly have even wider scope under socialism. Parallel with them, however, the signs of awareness of being a different nation--but not an isolated one--have been retained. As the bourgeois nation becomes a thing of the past, in other words, we have to reckon with the socialist nation as one of the basic forms of society's organization under the new system. The reasons underlying this fact are primarily objective ones. If we confine ourselves to the European socialist countries, then such objective reasons are first of all the availability of economic resources, the economic level and structure attained before the



socialist revolution, the economic structure's transformation during the decades of building socialism, and the new social structure emerging in the wake of restructuring the economy. With its paucity of energy and other resources, Hungary obviously must reckon with a different set of economic conditions than, say, mineral-rich Romania or Czechoslovakia, the latter having inherited a significant modern industrial structure from its capitalist past. The pressing need for external economic relations or an economic policy preferring self-sufficiency may likewise create quite different national situations.

To this we must add a fact fairly familiar from our point of view: social consciousness in its entirety tends to change more slowly than the objective economic and social structure does. Past development, viewed entirely in a national framework, strongly permeates the individual's consciousness, often subconsciously, in the form of his more or less systematic knowledge of history, sentiments and other fragmentary elements of consciousness. The past is a heavy burden on the present: it is easier to abolish capitalist class rule than to eradicate the negative traits of the past. We can pass on the past's positive traits, but this again is not a purely rational, conscious act. Which is due to the fact that the existence of national characteristics, and hence of national consciousness, is not merely a question of inherited elements of consciousness, but also a result of truly real, objective conditions of existence that are independent of the consciousness of individuals.

Thus national consciousness continues to exist, but--due to the slow and lagging development of the other elements of consciousness--it is linked only gradually with the other elements of socialist consciousness, with internationalism among others. As a basic principle of the international working-class movement, internationalism is an integral part of present-day socialist consciousness. We also clearly understand in principle how internationalism fits with national consciousness into an integral whole. In practice, however, the consciousness of individuals is still lagging, and the integration of the national and international elements still leaves something to be desired. And since these are elements of consciousness, we have to be patient.

The small socialist countries of East Europe are national states as a matter of form, but actually each country has national minorities, because in this region--for historical reasons--it is, and always has been, impossible to draw strictly ethnic borders. According to our conception, the national minorities' links are twofold. The state to which they belong ranks first in their social consciousness, but in terms of nationality they are linked to their mother nation. Therefore we believe, and have always maintained, that the national minorities are able to play a bridging role in relations between neighboring socialist countries. The survival of national minorities, just as of nations in general, depends even under socialism on this dual linkage, and it is reasonable to expect the realization of both links.

And if this is so, then we must ask ourselves: Among the earlier components of national consciousness, which are the ones we have to reckon with also in

socialist national consciousness (postulating here the objective linkage of the two also at the level of consciousness)?

Language, obviously and naturally, remains the first such element. From everyday contact to the highest theoretical level, communication in one's mother tongue is the easiest and most common. Language is what also general opinion regards as national. It is obvious that also the national elements of culture are associated primarily with language. The culture and language of every progressive nation are simultaneously also vehicles for universal human values, which they transmit and enhance. The second such element, likewise associated with language, is the already mentioned awareness of the "we-they" duality. In most cases this is quite simply acknowledgement of the linguistic separation, without any other emphasis.

There remains the historical element of national consciousness, by which we mean knowledge of the historical past, and the respect and fostering of its progressive traditions. Earlier, due to its very nature, this historical element turned toward the past. But, as one of the fixed points in the process of becoming a nation, it is also an index to the future, toward further national development. It might perhaps sound too pathetic if we say that socialist national consciousness today should turn preferably toward the future. But this must not be interpreted in any way as referring either to forgetting our past or to a pipe dream that is divorced from space and time, one whose unreality becomes sooner or later evident. Socialist national consciousness must turn toward the future so as to infer from it what must be done today, and to place emphasis on solving today's problems. It is obvious, of course, that this too contains a certain wilful element, with emphasis on "must." In our opinion, however, this "must" stems likewise from today's objective conditions, as a necessary factor that is independent of our intentions, ideas and fancies. Spreading the awareness of this will help to link more closely, and to integrate organically, the national and the socialist element.

1014

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## COMMUNIST YOUTH LEAGUE DEVELOPMENTS

## Membership at Schools Drops

Budapest KOZNEVELES in Hungarian 22 May 87 p 3

[Interview with Laszlo Kajos, secretary of the KISZ Secondary and Vocational Students Council: "Changes in the Life and Operation of KISZ School Locals"]

[Excerpts] The KISZ locals at 60 percent of the schools are exploring the possibilities. Student associations and student circles are functioning, and KISZ organizations specific in their approach are being formed. An upsurge is noticeable particularly in the organization of extracurricular activities, although it must be admitted that this often occurs at the expense of the organizations' internal renewal. Self-organization, which is a higher level of the groups' development, is of course not typical of every student circle. The circles rely on the assistance, ideas and initiatives of their teachers. Sometimes the existing student hobby groups are merely renamed student circles, without any substantive changes. It may be said in general that healthier student activities, a more political KISZ, are emerging in those schools where a democratic outlook and receptiveness for the new are typical of the faculty as well. In such institutions the students do not blame the lack of help from their teachers, and faculty members do not give heavy teaching schedules as their excuse, whenever low student morale and poor KISZ work are mentioned.

We know that our work in the youth movement must be more purposeful and more goal-oriented. We know that not every student will join the KISZ. We also expect resignations. At present, membership is down by 20 percent from last year. Mostly juniors and seniors have resigned. We find that, in addition to the resignations, also the termination of automatic membership plays a role in the decline of our total membership.

## Cooperation With Military Renewed

Budapest REPULES in Hungarian No 4, 1987 p 8

[Text] Leaders of the KISZ and the MHSZ [Hungarian Defense Association] met in the headquarters of the KISZ Central Committee, to discuss renewal of the 11 May 1982 cooperation agreement between the two organizations. Csaba

Hamori, first secretary of the KISZ Central Committee, received Major General Gyorgy Keri, the association's secretary general. Their meeting was followed by talks between the leaders of the KISZ Central Committee and the MHSZ National Headquarters, on the specifics of the agreement.

Laszlo Domonkos, a secretary of the KISZ Central Committee, rated the cooperation over the five-year period as generally good. Major General Gyorgy Keri emphasized, among other things, that the policy-setting nature of the agreement had to be reinforced because the KISZ was one of the most important partners of the MHSZ in the latter's work. He proposed that the leaders of the two organizations meet every two years, and that the MHSZ, now celebrating the 40th anniversary of its foundation, be included in the program of the KISZ.

At the end of the talks, the two sides approved a proposal presented by Laszlo Domonkos, to set a schedule for the further talks on renewing the cooperation agreement.

#### Statement Supports Economic Reform

Budapest HETI VILAGGAZDASAG in Hungarian 6 Jun 87 p 9

[Report: "Draft Proposal of the KISZ Central Committee"]

[Text] The draft proposal that the KISZ Central Committee prepared, in conjunction with the "Our Future Is at Stake" drive, emphasizes among other things: "The overwhelming majority of young Hungarians want to live in a democratic, modern socialist society that is based on performance, functions efficiently and provides security." The KISZ Central Committee has released this document for debate. In its final form, incorporating the lessons of the debate, the proposal will be approved by the KISZ Central Committee in June, and then will be submitted to the MSZMP Central Committee and to the Council of Ministers.

The draft proposal points out that the practice of socialism in Hungary must be radically streamlined to renew the social consensus that is indispensable to further progress. The road to renewing this social consensus leads through a significant broadening of openness, and the strengthening of a responsible social dialog.

The KISZ Central Committee regards as necessary the economic reform's consistent continuation, and a reassessment of the economic and social objectives contained in the plans. The draft proposal states: "Bearing in mind the requirement of solvency, the restructuring and R&D that promote efficiency must have priority in the short term over all other objectives, including the living standard's maintenance, full employment, and the policy on fighting inflation."

The draft proposal's chapter on economic policy contains, among other things, the following: The socialist forms of ownership must be boldly developed further; regulated market conditions must prevail within the entire economy; and the state's unavoidable interventions must become

normative. According to the draft proposal, economic regulation and the system of economic management must recognize a multisector economy and provide equal opportunity to compete, for business activity under all forms of ownership. Legal guaranties must be provided for entrepreneurs and the private sector, and it must be reaffirmed that their support is not motivated by tactical considerations but is an element of economic strategy.

The KISZ Central Committee deems it necessary to permit dynamic development of the most efficient enterprises, and it supports drastic cuts in aid to the chronically loss-making enterprises. A system of regulation is needed --the draft proposal states--that provides incentives to use enterprise profits for long-term development projects, rather than for wage increases that are not performance-commensurate and eat up the basis of future growth. It supports the planned introduction of personal income tax and general turnover tax, after their suitable elaboration; but it regards as indispensable to prepare the public for these important changes, and to demonstrate and explain their foreseeable impact, in a manner that is readily understandable.

The draft proposal recommends that the efficient, hard-currency-earning enterprises and research institutes be given foreign-exchange allocations which they are free to spend, and that they be exempt from import licensing. It favors abolishing the system of wage tariffs, and the mandatory wage increases. Enterprise chief executives should be appointed to serve definite terms, and they should receive a part of their bonuses at the end of their terms.

In conjunction with employment policy, the KISZ Central Committee proposes the urgent elaboration of a government program to help find jobs for the young people who will be joining the labor force in the 1990's. It calls for extensive modernization of the state placement service; the starting of investment projects that will create jobs; the application of forms of employment (part-time work, homeworkers) that are respectively more flexible and less capital-intensive; and the organization of public works projects. The establishment is deemed necessary of an integrated employment-policy fund to finance, for example, retraining, job-creating investments and public works projects.

On social welfare policy, the KISZ Central Committee believes that it is necessary to clearly designate the government agency that will be in charge of implementing this policy. The recommendations include reducing the role of price subsidies within the arsenal of social welfare policy's tools, and broadening the eligibility for child-care pay to include also university students.

The KISZ Central Committee proposes to institutionalize public debates, consultations and extensive opinion polls, before making political decisions. In addition to the party, the specific, independent and differentiated interest-representing role of other political and voluntary public organizations must be strengthened. A clearer distinction must be made between the policymaking role of the MSZMP, and the practical implementation role of government agencies and administrative organs. The

government must become more independent and more accountable. Behind the individual government programs, the leader's accountability must appear more clearly and in a manner that permits closer public scrutiny.

The clear and public definition of the division of labor among the government, its committees, and its branch and functional agencies, and of their scope of authority and accountability, is considered necessary.

The draft proposal calls for curbing the powers which the Presidential Council and the executive committees are exercising, in place of the National Assembly.

The KISZ Central Committee wants stricter qualification requirements set for leaders, and personnel changes that will aid successful implementation of the social and economic program. "We need leaders who are also personally associated with the program and are responsible for its implementation," the draft proposal points out.

The draft proposal devotes a separate chapter respectively to the management of housing and to education policy.

(The full text of the draft proposal has been published in the latests issues of the weeklies MAGYAR IFJUSAG and OTLET.)

1014

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## PARTY ROLE IN SPURRING INNOVATIVE CHANGES STRESSED

26000759a Bialystok GAZETA WSPOLCZESNA in Polish 11-12 Jul 87 pp 1, 2

[Article by Tomasz Kalinowski: "A chance at Scientific-technological Progress: PZPR Voivodship Committee Plenum in Bialystok"]

[Text] A plenary session of the Voivodship Committee [KW] of the PZPR was held yesterday in Bialystok with the participation of Marian Wozniak, Politburo member and PZPR Central Committee secretary. Those in attendance included: Marian Szamatowicz, Voivodship People's Council [WRN] chairman; Primary Party Organization [POP] secretaries; voivodship plant directors; rationalizers; scientific-technological association activists; and scientists. Their participation fully established the theme of the meeting: "Scientific-technological and organizational progress as a factor of the socio-economic development of the voivodship." The deliberations were led by Wlodzimierz Kolodziejuk, PZPR Voivodship Committee first secretary.

The inaugural report of the KW executive body given by the KW secretary Jozef Grajewski produced a stormy and interesting debate which included many criticisms of the actual state of our economy. An attempt was made at identifying the means to overcome the crisis.

Jozef Grajewski stressed that economic-organizational progressives at plants should be assigned a suitable rank. In the meantime, some good solutions are not being put into practice. One example which could be mentioned here is the minimal application of a long proven technique of producing building elements from concrete chips. The peculiar feature of scientific-technological progress lies in the fact that it affects all aspects of contemporary life. Due to this, the party should have a role in inspiring innovative changes. We must find methods and forms of party activity which would spur innovation.

Eugeniusz Andruszkiewicz from Bialystok's "Ponar-Bial" factory pointed to the excessiveness of our economic solutions.

He stated, among other things, that progress is being hindered by the lack of small enterprises which could ease the work of factories and propose new solutions for the production of small items.

Ryszard Karwatowicz spoke of the solutions found in the Lapy Railroad Rolling Stock Repair Shops [ZNTK]. This plant has the only industrial robot in the voivodship. The automatization of production has led the way towards improving the economy.

The following speaker, Wiktor Wierzbicki, chairman of the voivodship administration of the Union of Socialist Polish Youth [ZW ZSMP], noted that industrial modernization and the search for talented rationalizers and inventors must begin in school. The means to realize school training, however, should be left unmentioned. The organization has made great strides in propagating an inventors' movement by holding an annual Young Engineers Talent Competition with the following characteristic, that hardly any student proposals are ever entered. What then are members of scientific circles at schools of higher learning doing?

The appearance of Wlodzimierz Poskrobka from HPPD [expansion unknown] met with applause. He stated that we should not deceive ourselves by thinking that every one will be able to progress. We should, however, be concerned with creating conditions for the most talented to develop their talent. We really do not need huge drafting offices to modernize plants. Sometimes all that is required is a small space one can call his own. Those professionals working in them know significantly more about the state and potential of the plant than those professionals working at a large research center. Moreover, we must rid ourselves of those individuals who only pretend to be working. It would also be worthwhile to give some thought to changing the wage system. Quality should now be our most important concern. Quantity, when half the production is immediately thrown out, will not bring praise to anyone.

The significance of the work of the managerial cadre in industry was noted by Jozef Kowalczyk, Bialystok City Committee secretary, who pointed out the main task of the party in this area.

Last to speak was Marian Wozniak, PZPR Central Committee secretary, who took into account the problems touched upon during the deliberations. He stated, among other things, that recognition should be given to all those who helped prepare the plenum, that is, PB [expansion unknown] scientists and activists from scientific-technological associations. He also mentioned that without technological progress, we cannot begin to think of overcoming the crisis. There are presently many enterprises where people hide behind piles of paper containing hundreds of internal orders and reports, where a warranty is an empty word. We should also wage a battle against this.

The PZPR Voivodship Committee stated in the adopted resolution that "the primary task is for enterprises to modernize by introducing cost saving production techniques such as automation and robotization, and initiating new methods of labor organization. Working conditions in all areas of the economy must be improved."



Wlodzimierz Kolodziejuk ended the deliberations by stating that no matter what has already been achieved in modernizing the economy, much more work lies ahead of us. The resolutions mention concrete tasks which need to be realized in order to guarantee success not only to the economic reform but also to all the voivodship's socio-economic undertakings.

At the conclusion of the plenum, Marian Wozniak met with personnel from the "Ponar-Bial" Tool and Fixture Factory.

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## BRIEFS

TRANSPORTATION MODERNIZATION UNDER FIRE--The Opole Voivodship Defense Committee [WKO] met under the chairmanship of colonel Julian Urantowek, chief of the Voivodship Office of Internal Affairs. After hearing reports on the state of public safety and order in the voivodship, the WKO members were informed of the results of an inspection conducted to determine whether tasks pertaining to the defense of selected economic and administrative units were being realized. In their estimation, these tasks are being properly realized as are WKO resolutions relating to Kedzierzyn-Kozle. However, they found that the resolution to improve the system of communication in Kluczbork was not being realized. The WKO members stated that progress towards modernizing transportation routes, particularly in building viaducts, was unsatisfactory. [Text] [26000659b Opole TRYBUNA OPOLSKA in Polish 8 Jul 87 p 1] 13090/12624

HISTORY EDUCATION FOR YOUTH--The Szczecin Voivodship Defense Committee met on 31 July to discuss patriotic-defense problems in youth education and positively assess the existing political and organizational activity of institutions as well as socio-political and vocational organizations responsible for educating youth. A study on a long-term program in this activity was recommended. Attention was drawn to the need to expose youth to the history and achievements of the Szczecin area. Michal Janiszewski, chief of the Office of the Council of Ministers, took part in the deliberations. [Text] [26000759c Warsaw ZOLNIERZ WOLNOSCI in Polish 1-2 Aug 87 p 7] 13090/12624

## DEFENSE MINISTER SEES FORCES AT DEFENSIVE LEVEL

23000345 East Berlin VOLKSARMEE in German No 26 (signed to press 22 Jun 87) p 3

[Speech by Army General Heinz Kessler, member, SED Central Committee and Minister for National Defense, at the Fourth Session of the SED Central Committee: "Statement on Military Doctrine Sets Forth the Humanist Credo of Our Coalition"]

[Text] Dear comrades!

The results of the Berlin conference of the Political Advisory Committee of the states participating in the Warsaw Pact met with the full approval of all the people of the GDR, of the working people and of the members of the armed forces, border soldiers and civilian employees of our armed agencies. Comrade Erich Honecker spoke to all of us from his heart when he said: "Our declared goal is a world free of nuclear weapons and peaceful space. The states of the Warsaw Pact do not lay claim to more security for themselves than for others but to no less either. Their military doctrine and the level of their defensive capability are determined solely by the requirements of their own security and their own defense."

## For 70 Years Continually New Initiatives for Peace

Here in Berlin, the capital of the GDR, in the 70th year of the Great Socialist October Revolution, it was once again demonstrated very convincingly: peace and socialism are a unit and have a mutual need for each other.

Seventy years ago, on 8 November 1917, the young Soviet power, just 1 day old, proposed that all warring peoples and governments immediately begin negotiations on a just and democratic peace. But the imperialist states of the time, including the German empire, answered the Russian workers and peasants with the continuation of the war, with extortion and annexation, and with new surprise attacks and acts of intervention.

Seven decades later, under a different international balance of forces, the participating states of the Warsaw Pact are proposing an entire program of far-reaching practical steps in disarmament to put an immediate stop to the slide of humanity into a nuclear catastrophe. At the same time, we are also

in favor of working out new measures that make it possible to achieve more substantial reductions in armed forces, armaments and military expenditures by the year 2000.

The imperialist states of today, headed by the United States, can no longer simply reject these proposals. For the first time, they are signaling a willingness to take real steps in disarmament.

One can read in dozens of annual volumes of newspapers that have appeared since 1917 as well as in documents of foreign and military policy how many proposals, initiatives and advance actions in the service of peace have since come from socialism. It was and is the consistent humanistic policy of the Soviet Union and the other socialist states with its orientation toward peace put through step by step under the constant pressure of slander, instigation and embargoes, counterrevolution and aggression and achieving success after success that is convincing more and more people that the supposed threat from the East is nothing more than a notorious purposeful lie of capitalist arms concerns, imperialist politicians and military people.

More and more people in all parts of the world are recognizing that the Soviet Union and the other socialist countries want peace and are unreservedly in favor of disarmament. There is no political or economic interest in the allied socialist states in the arms race and in the preparation or waging of wars! We want and need not a single square meter of foreign soil, no goods of other peoples, and no military conquest of sources of raw materials or markets. Our community of states and our parties are strictly against any export of revolution but they are also against the export of counterrevolution and exploiting domination with its mass unemployment for the working people and superprofits for the concern bosses!

#### Guarantee Military Strength at a Level Adequate for Defense Alone

We are fundamentally against the staging of the competition between the social systems with military means. This is our most profound conviction. The armed forces of the countries participating in the Warsaw Pact know no other military mission than the defense of the achievements of socialism and peace for our peoples as well as for all peoples of the world!

The military doctrine of the Warsaw Pact, as it was jointly worked out and signed by the representatives of our party and national leadership at the Berlin conference, concentrates as in a burning glass the characteristic features of the foreign, security and military policies of the allied states and national military doctrines and the basic content of the mission of the joint armed forces as well as of all fraternal socialist armies.

In a manner of speaking, the declaration of the Political Advisory Committee on the military doctrine of the Warsaw Pact formulates the humanistic credo of our coalition, which simultaneously corresponds to the vital and survival interests of the entire society: to banish war once and for all from the life of humanity, to put an end to the arms race, to prohibit the use of military force, to strengthen peace and security, and to bring about universal and complete disarmament.

Consequently, the first two sentences of that part of the declaration in which the nature of this military doctrine is characterized state that the countries participating in the Warsaw Pact will never under any circumstances initiate military actions against any state or alliance of states unless they are first subjected to an armed attack. They will never be the first to employ nuclear weapons!

In this way, the document expresses precisely and convincingly the mission of socialism aimed at excluding war and reflects the fact that the Warsaw Pact alliance is exclusively defensive in nature, today just as it was 32 years ago when it was established in response to the inclusion of the FRG in NATO and the formation of the Bundeswehr.

The core of the military doctrine of the Warsaw Pact is the principle of guaranteeing military strength at a level adequate for defense alone. That is, we do not need a higher level of numerical strength, armament and equipment than the imperialist states opposing us. But neither should we allow ourselves to have a lower level of all parameters of combat effectiveness and readiness. For a level that is adequate for defense requires that we always be able to guarantee that our countries are not surprised by an attack and that our armed forces can repel any attack from outside against one of the states participating in the Warsaw Pact.

"In case, however," states the declaration literally, "an attack is made against them, they will deal a crushing blow to the aggressor."

The Scope of the Defensive Efforts Will Be Determined By the Offensive Preparations Against Us

Consequently, the scope of our own efforts to maintain the necessary defensive capability will be determined by the extent of the attack capability and offensive preparations of the armies that could be the source of an aggression against a country of the socialist community.

If these states, specifically the NATO states, are prepared to respond to the comprehensive proposals of the socialist states for arms reduction and disarmament, to strengthen mutual trust and to limit the danger of the outbreak of military conflicts, then this would open up good possibilities to reduce the military strategic balance at a lower and lower level.

The military doctrine of the Warsaw Pact aims precisely in this direction. One of the basic goals of our coalition is formulated as the reduction of the armed forces and conventional arms in Europe to a level at which each side, while guaranteeing its own defense, will have no resources at all for a surprise attack against the other side or for offensive operations.

To make progress on this path, the Berlin conference has proposed to the NATO states consultations not only to analyze and compare the military doctrines, even though that is naturally also very important and instructive. For then the federal chancellor of the FRG could no longer speak so frivolously of the offensive character of the military doctrine of the Warsaw Pact, as he recently did in the anticommunist television show beyond Brandenburg Gate, as though he

had never read our documents. In the proposed consultations on military doctrines, it should primarily be a matter of discussing their future orientation jointly and of guaranteeing that the military concepts of both military blocs and their participants are based on defensive principles.

When historical imbalances and asymmetries in individual weapon systems or military services are discussed in these consultations, then one should seek possibilities for eliminating them, not by way of the counterarmament of the side that is lagging behind but by way of the arms reduction of the side leading in the respective weapon systems.

That is an extraordinarily important principle for making a reality out of words that heretofore have been used only as a slogan by many politicians in the FRG: "establish peace with fewer and fewer weapons," words that we, as our peace policy proves, have made our practical mode of action.

In such consultations, one also ought to discuss the underlying reasons for the attitude of certain groupings in NATO that do not want to renounce the stationing of nuclear weapons in Europe or the readiness to be the first to use weapons of mass destruction. As before, these forces are forcing armaments to increase the capabilities of the NATO states for surprise strikes and rapid thrusts into the depth of the defense of the armed forces of the Warsaw Pact and they are doing so with nuclear weapons as well as with the conventional employment of weapons.

#### There Must Never Be Another War Start on German Soil

Shortly after the Berlin conference, Chief of Staff of the Bundeswehr Admiral Wellershoff declared that with the zero option NATO is giving up a part of the weapon systems that could hit Soviet territory from European soil. It is, as he formulated it, now all the more urgent to make available other options with which NATO may put Soviet territory at risk. Among such options, the Bundeswehr command presumably also includes the planned modernization of the Pershing 1a missile systems, which it by all means would like to maintain under its control.

The highest principle of the policy of our party and state and the highest principle of the military doctrine of the GDR--to do everything possible so that there will never again be war but only peace emanating from German soil--is in full accordance with the military doctrine of the Warsaw Pact. This, by the way, also corresponds to the joint declaration of Erich Honecker and Helmut Kohl on 12 March 1985.

The main task of the NVA as the core of the socialist home defense of the GDR and the task of the border troops and all other armed forces is the constantly dependable protection of the developed socialist society and of the life and peaceful work of our people as well as the securing of the borders and air space of our country with the most efficient employment of all manpower, material and financial resources made available for this purpose.

The More Qualified and Committed the Personal Action for the Strengthening and Defense of Socialism, the More Secure the Peace

We proceed on the assumption that here in the heart of Europe, on the dividing line of the two largest military coalitions in the world, our socialist home defense and each of our soldiers at the side of the Soviet comrades and the other comrades in arms bear a quite special responsibility for peace. The awareness of this responsibility must be expressed at all times in great vigilance and stable performance in combat and border duty, in operational and combat training, and in the military combat, operational and mobilization readiness of each unit, each force and each installation. There are no concessions at all with respect to the unconditional reliability of all of our precautions for protection and security. The defense against any attempt at military intimidation and blackmail against the GDR by the most aggressive circles of imperialism and the prevention of any sort of armed conflict here in central Europe are by themselves enormously important, for here the dangers of a rapid escalation of a military conflict are especially great. In such a conflict, even if no nuclear or chemical weapons are employed, the up-to-date conventional weapons are considerably more devastating in their effects than those of World War II. In addition, as Comrade Mikhail Gorbachev declared in Prague, there are about 200 nuclear power plant blocs and an extensive network of large chemical plants whose destruction could threaten the bases for existence on the continent in the most dangerous way.

The members of the NVA and our country's young draftees know about the importance of what has already been achieved and about the value of the accomplishments of socialism. They are brought up in the consciousness: the more qualified and committed I am in my actions for the strengthening and defense of the socialist fatherland, the more secure is the peace. And the more secure the peace is, the more successfully the developed socialist society advances, the more fruitful the economic and social policies of our party are for each individual and for each family, the closer are the friendly relations of the peoples of our community, and the greater is the international impact of the socialist society and the more successful are the friendly relations between peoples, the commercial and cultural exchange, and the equal cooperation between states with different social systems.

The defensive will of our army members and border soldiers is rooted most deeply in their unconditional love of peace, in their solidarity with their socialist homeland, in their friendship with the peoples of the Soviet Union and the other socialist states, and in their respect for the accomplishments and esteem for the achievements of all of the peoples of this earth. Those are the strongest motives of their commitment to high combat effectiveness and readiness. We must keep them alive as long as dangers threaten socialism and the peace of nations.

Dear comrades, I believe that in the future even more must be done to deepen the love of our youth for the socialist fatherland. Above all we should be even more insistent in making clear to our rising young generation--appealing to their reason and feelings, their knowledge, interests and inclinations--what they have to defend, against whom they are defending the achievements of decades and even centuries of struggle of our working people and the great accomplishments of the workers and peasants, craftsmen and intellectuals in our country, and against whom they are protecting their own peaceful future.

From the heights of the Thuringian Forest to the chalk coast of Ruegen, from the Schwedt Petrochemical Combine to the agricultural production cooperatives around Magdeburg, from Dresden Tower to Doberan Cathedral, our German Democratic Republic is rich in irreplaceable evidence of the creative power of our people.

Millions of diligent people whose happiness and peaceful future must be protected are living, learning and working in the cities and villages everywhere. It is above all the love for this country and for its people that allows our young people to perform their duties honorably. And that is how it will be in the future as well!

9746



## TRAINING AT BEZIRK CIVIL DEFENSE SCHOOL OUTLINED

23000315 East Berlin SCHUETZEN UND HELFEN in German Vol 8 No 2, 1987 (signed to press 16 Feb 87) pp 14-15

[Interview with CD Maj Gerhard Haedrich by CD Lt Col Wolfgang Dietrich and article by CD Lt Col Herbert Schoenfelder: "'Fritz Walter' Bezirk School of Civil Defense in Frankfurt (Oder)"]

[Text] Practical Training Stands at the Center of Things--Work With Apprentice Enterprises and Territories as Well as Instructors Has Paid off

[Question] It is often said that here, at the bezirk school, training is particularly practice-oriented. How does your collective manage to do this?

[Answer] Briefly said, by utilizing all available potentials and always seeking after that which is new. This begins with the personal qualifications of the instructors, continues with instruction-methodological work and conscientious preparation for the instruction and also includes the constant effort to perfect our training base. All of this is accomplished on the basis of a developmental concept which was confirmed by the chairman of the bezirk council for a period which always encompasses 5-year cycles.

[Question] In other words, the near-practical training provided to course participants has two aspects: a personnel aspect and a material aspect. Please comment first in somewhat more detail on the personnel side.

[Answer] Apart from constantly engaging in additional training through centralized training exercises, etc., as well as efforts to develop personal qualifications--two of the officers are currently undergoing advanced school training--our instructors utilize planned training exercises, operations, and demonstrations in order to become familiar with the requirements of practice and in order to be in a position to take these requirements into account even better during the instruction process. Instruction on the basis of valid documents, issued by command organizations from instruction territories...[part of sentence missing]...and the knowledge of local conditions make equal contributions. Appropriate models in our classrooms increase the vividness of instruction. Thus, for example, there is a model of the Ziltendorf Depression--an area threatened by floodwaters--or the model of our neighboring panel-manufacturing plant from the Residential and Social

Construction Combine, which is also included in practical training. From this enterprise an instructor regularly lectures at our school.

[Question] An instructor? What do you mean by that?

[Answer] During the past training year, we have had good experiences involving assistant instructors. These people are leading cadres in state and economic organs, as well as other comrades connected with practice who have been appointed to these honorary positions by the chairman of the bezirk council. They enrich our training substantially with their wealth of experience and contribute toward making instruction relevant with regard to practical matters. They are a stable collective which is to be further expanded. Timely deadline coordination makes it possible to continuously prepare and commit these cadres.

[Question] Now, please just a few words with respect to the material side of the training.

[Answer] Here, I would first like to mention our new schoolbuilding, which was handed over to us at the end of 1985. It is equipped in modern style and measures up to the new requirements of civil defense with appropriate classroom facilities which provide optimum conditions for effective training. I would like to particularly emphasize our communications facility. Augmented with a communications garden to facilitate practical training, this facility presents excellent possibilities for training and learning--as does our training terrain in its entirety.

[Question] The essential elements of this terrain are available also in model form. Why is that?

[Answer] ...[Part of sentence missing]...substantially increases the realistic nature of training. We use a ruin as our training site. Using the model, we can simulate disasters and catastrophes in a multitude of ways. Thus, for example, course participants are trained to make purposeful decisions. The purposefulness of these decisions can then be tested on the spot. The terrain and structure frameworks present numerous opportunities for rescue and salvage work, as well as for other training elements.

[Question] What is your collective currently working on?

[Answer] In order to shape our bezirk school as a center for training and education, as well as a consultation support point for all civil defense questions arising in our bezirk, tasks have been established through the year 1990. I would only like to mention a few here which, naturally, will not be realized by our school collective alone. By the 30th anniversary of civil defense, we shall create the traditions cabinet of the bezirk. A teaching and training complex entitled "Tenacity" will be taking shape by the same deadline on the basis of the economic profile of the Bezirk Frankfurt (Oder). By 1990, a central information and documentation facility, containing all civil defense-specific training and teaching materials, is planned. The green areas of our school will be equipped with statuary and the free time of our course participants will become more attractive.

On the Reliability of the Person--CD Lt Col Herbert Schoenfelder Is an Experienced Main Subject Teacher

"I would like to go one or two steps further....," says Comrade Schoenfelder during a conversation on preventive catastrophe and disaster protection. Floodwaters are all around--on this point he is well-versed. What he still wants to learn in order to be able to teach it better is the...[part of sentence missing]...combating of forest fires and something else. In other words, it is no accident that the booklet entitled "The ABC's of the Operations Chief of the Fire Department" lies near at hand on his desk. "I search for and collect all materials which I can come up with," says the lieutenant colonel of civil defense. His desire: a practical handbook on preventive catastrophe and disaster protection. It is not yet available. Should he, therefore, put his hands in his lap and wait for things to develop? This is not the style of the trained technical draftsman. He wants to teach well, he wants to utilize every source of knowledge in order to enrich his own knowledge and to pass it on in a practice-connected manner. Eight years ago, Herbert Schoenfelder came to the bezirk school. He brought with him the experiences of a teacher at what is today the Institute of Civil Defense and experiences from his work in a staff of the kreis as well as in a bezirk staff. Meanwhile, as a main subject teacher, he has trained many volunteers and responsible cadres from the state apparatus and from the economy of the Bezirk Frankfurt (Oder). "If I meet former course participants at training exercises or during operations and see how they know how to convert that which was imparted to them here in practice, then this is always a nice feeling for me. And I sense that my work has been worthwhile." Since 1959, the lieutenant colonel of civil defense has been tireless in pursuing the goal of the social mission of civil defense in his own way. "One must have a heart for civil defense; one must burn for it as a person, as a comrade, and as a teacher. One must radiate, so that the spark can jump to those who are listening." This kind of commitment is felt not only by the course participants. At the school, he is esteemed by everyone. Gerhard Schmidtke, the deputy party group organizer, summarizes it in one sentence: "One can work well with him." Always polite, correct, and ready to help, the main subject teacher has an ear for everyone. The head of the school considers his deputy to be "reliability personified." He is a comrade whom he can approach at any time. Much at the school shows visible traces of Herbert Schoenfelder's work--he does not stop turning new ideas into actions. Currently, he is particularly involved in the third developmental stage of a prism model in "his" classroom. And he wants to participate in the projects taken on by the school collective which are to become reality by the 30th anniversary of civil defense. His decoration, a few days ago, with the "Meritorious Civil Defense Medal" (in gold) simultaneously honored the actions of a man who "wants to leave something behind for posterity that has a beginning and an end."

5911

## SOVIET TRAINING OF INTERFLUG PERSONNEL OUTLINED

23000307 East Berlin TECHNISCH-OEKONOMISCHE INFORMATION DER ZIVILEN LUFTFAHRT  
in German Vol 23 No 2, 1987 (signed to press 15 Feb 87) pp 43-44

[Article by Horst Muellers, social scientist, engineer for INTERFLUG, Berlin-Schoenefeld, section director: "Training and Advanced Training at Soviet Special Colleges--Firm Component of the Training Strategy of INTERFLUG"]

[Text] The implementation of the far-reaching resolutions adopted by the 11th SED party congress is a great challenge for all INTERFLUG personnel.

The 1986 statistics underscore the fact that growth in all civil aviation services can only be attained in accordance with the criteria of comprehensive intensification on the basis of a rapid rise in efficiency. One of the criteria of intensification surely is the road leading to greater development of creative faculties and talents and the efficient use and development of the intellectual potential. Focusing on the role of educational policy, the directive on the development of the economy between 1986 and 1990 makes the following point:

"The new phase of intensively expanded reproduction of the economy calls...for accelerated development of the quality and efficiency of social programs. This is inextricably tied to constant qualitative improvement of education and training...and the further development and full utilization of the skills of the labor force."

This is the reason why the qualifications of the INTERFLUG staff must be even more resolutely developed and more efficiently used for the purpose of maintaining air traffic safety at all times; of ensuring efficient operation and mastery of the aircraft; of improving the economic and social cost effectiveness of scientific-technological work and the fabrication of rationalization devices, including all measures designed to increase the service life of basic equipment and the modernization of airport facilities; of attaining a higher grade of process automation; of utilizing improved technologies in order to carry out checkout and maintenance procedures in a more rational manner and of enhancing the effectiveness of marketing and sales operations as well as the continually improving the quality of INTERFLUG services.

The creation of an appropriate education and training program on the operation of the next generation of aircraft will be of far-reaching importance with regard to equipment and the rate of automation as well as to care and maintenance and checkout technologies. The same applies to the introduction of a fully automated air traffic control system in the GDR.

The 1986-1990 INTERFLUG training program includes the following guidelines for the development and utilization of the training potential:

1. There is a continued need for the trade schools, technical schools and universities to provide the appropriate preparatory training. The planned and focused development of the skills and occupational structure which meets present and future needs of civil aviation must also be assured. It will continue to be a major goal to add more university and technical school graduates to the staff. By 1990, university and technical school graduates will account for about 41 percent of total staff.

2. Advanced personnel training presents us with a specific set of major challenges. This is due to the urgent need to react even better to progress in know-how; to the level of scientific-technological progress and the innovative processes connected with it; to changing international political and economic conditions; to the growing challenges with respect to airline safety and a host of other problems.

Advanced training is acquiring more and more strategic importance from the point of view of the continued onward development and efficient use of the education potential and in line with conditions of the increased dynamics and differentiation of work requirements; the assurance of adequate preparatory schooling and last but not least in the interests of a constantly high level of training to guarantee air traffic safety at all times.

It fills the members of the INTERFLUG staff with great satisfaction to be able to say in the 70th year of the victory of the Red October that the training and advanced training of INTERFLUG civil aviation specialists in the Soviet Union occupies a firm place in our training program.

Every advance in the GDR is closely tied to progress in the development and intensification of the brotherly alliance with the USSR and this applies in equal measure to civil aviation.

From its inception, civil aviation in the GDR has been inextricably tied to civil aviation in the USSR--particularly in the field of training and advanced training. If GDR civil aviation can call upon a staff of experienced aviation experts today who have proved their mettle on many occasions, it is the civil aviation centers of the Soviet Union and a great many AEROFLOT instructors who are in large part responsible for this.

In the summer of 1955, the very first training courses for members of the air traffic control service and the repair hangar crews at Berlin-Schoenefeld airport were conducted with the assistance and support of Soviet instructors. In October/November 1956, an initial training program for IL-14 crews commenced at the Ulyanovsk flight academy. Ever since, members of the INTERFLUG staff have been undergoing training and/or advanced training at Soviet civil aviation schools. 9.5 percent of the university graduates on the

INTERFLUG staff have thus far undergone training in the USSR. 14.5 percent of the full-time students to whom INTERFLUG has extended study grants are presently receiving training at the Academy for Civil Aviation in Leningrad, at the "60th Anniversary of the USSR" engineering institute in Kiev and at the "Lenin Komsomol" engineering institute in Riga. Training at these institutes takes place in various selected disciplines.

These studies at the special institutes of civil aviation in the USSR will acquire added importance in connection with the implementation of the resolution adopted by the SED central committee on 12 November 1985 on "Measures Aimed at Altering Training and Advanced Training Programs for Engineers and Economists in the GDR." The number of students will increase and new programs of study and/or specialization will have to be utilized. Collaboration with the special Soviet institutes must be directed toward even more on focusing the initiatives and performance capabilities of our students as part of their coordinated program of study, research and practical application on the required preparation for the introduction of new types of aircraft and/or aviation systems and thus even more on the main aspects of intensification in the INTERFLUG scheme of things.

The hands-on aspect of the studies of the students enrolled in the USSR--particularly in the area of air traffic control and INTERFLUG commercial aviation technology will have to be expanded still further. Even more efficient utilization of these training programs will make it easier to obtain government and technical permits and this in turn will substantially reduce the time between completion of studies and the issuance of said permits.

The existing good relationship between the "Friedrich List" Institute for Transportation in Dresden and the Academy for Civil Aviation in Leningrad as well as the Kiev and Riga institutes may be viewed as a positive development.

These contacts are aggressively being expanded through the introduction of a trainee exchange program and plans for establishing partial courses of study for the Riga institute's top students in the field of economics of air transport.

As in the past, USSR civil aviation facilities will serve as the site of advanced training programs for members of the INTERFLUG staff in the future. In 1987, some nine percent of the advanced training programs of INTERFLUG will be taking place in the Soviet Union. Most of the programs will concentrate on improving skills at the Ulyanovsk center for the joint training of pilots, engineers and air traffic controllers of the civil aviation systems of the CEMA member states.

Greater advantage will have to be taken of future opportunities for advanced training of top management personnel at the Academy for Civil Aviation in Leningrad.

Enrollment in advanced training programs at USSR institutes for civil aviation represents one aspect of training INTERFLUG aviation experts which should be expanded.

Taking advantage of the wide range of Soviet resources in this field is of particular interest with regard to the establishment of preparatory programs prior to the introduction of new types of aircraft and/or other types of aviation technology; to the rapid acquisition of the most up-to-date scientific information and know-how; to providing training and advanced training for senior pilots and other aviation specialists; to the analysis of experiences with the training and advanced training of cockpit and flight technology personnel and of air traffic controllers.

In pursuing this course of action, we will continue our collaboration with the the Ulyanovsk training center.

As part of INTERFLUG's training and advanced training program, this ever closer collaboration also serves as a stepping stone toward improvement of overall operation and the further development of INTERFLUG capabilities.

Membership in the Council on Methods of the Ulyanovsk center is of the greatest significance.

INTERFLUG will concentrate its activities as a member of this body on some of the following problems:

It will attempt to establish more uniform training and advanced training programs on the basis of binding international agreements.

It will take advantage of all ways and means to intensify qualifications, i.e. especially by seeking to improve upon the content and methodology of the training programs through utilization of existing material and technological resources.

It will attempt to structure programs in such a manner that the specific needs of GDR civil aviation can be met, if possible.

The years until 1990 will take us through important stages in the development of INTERFLUG training activities. In 1986, new study programs in the field of occupational training were already introduced. All apprentices were given a course in computer science. The gradual commissioning of the new "flight simulation and pilot training center" has created a wide-ranging new adult education program in aviation basics and methods.

Preparations are to be made for a new high-quality university and technical school training program in aviation studies to be introduced at appropriate institutions, e.g. the "Friedrich List" Institute for Transportation.

All these programs also call for simultaneous further expansion and greater efficiency in our collaboration with the civil aviation training centers of the USSR.

9478

CSO: 2300/307

## PRODUCTION PROCESS ACCELERATION EXAMINED

23000344 East Berlin EINHEIT in German Vol 42 No 6, Jun 87 (signed to press 13 May 87) pp 514-519

[Article by Prof Dr Fritz Haberland, department head at the SED Central Committee's Central Institute for Socialist Economic Management: "Research in the Race Against Time"]

[Text] "We have begun the race against time and are firmly resolved to win this race." (1) This basic concern of the economic strategy adopted by the Eleventh SED Party Congress calls upon the combines and their enterprises in close cooperation with the facilities of the academies and universities in the GDR to generate top achievements in the briefest possible delay. We are expecting the emergence of new products, processes and technologies that are obvious improvements with regard to their scientific-technical standard and--manufactured in adequate volume--may be offered and profitably sold by the use of persuasive arguments. In view of the growing dynamism of demand we are bound to note that, on international markets, qualitative innovations expressed in the greatest possible usefulness to the customer as well as attractive design, are now among the fundamental prerequisites for being able to conquer and expand favorable world market positions as an original producer of standard setting items (turned out primarily by the use of key technologies) as well as obtaining the greatest possible foreign exchange earnings while keeping prime costs as low as possible.

In the matter of the renewal of production, our party assigns the utmost priority to the requirement to make profits the criterion of scientific-technological performance. This result "is demonstrated by the price of the product, its earnings on the world markets, by lower costs, better quality and improved labor productivity in manufacture." (2)

## Economic Criteria and the Time Factor--Starting Point and Objective

It is imperative to direct the thoughts and actions of the responsible managers, scientists, researchers and developers, technologists, foremen and skilled workers, innovators and youth research collectives to the achievement of top economic results and social effects. As early as the setting of R and D targets in the combines it is absolutely necessary to get these considerations on track. It is therefore logical that the general director of



the combine should assume personal responsibility for the economic and scientific-technological standard of the plan science and technology, of innovator passports and tasking workbooks. This crucial national responsibility may not be delegated to other managers. It includes the need, on the basis of long-range national targets, to set economic performance objectives that, so to speak, necessarily challenge novel scientific-technological solutions and to deploy the most able cadres so as to generate the required top performances.

Evidence for the success of such an approach was demonstrated in great detail at the Leipzig seminar of the Central Committee with the general directors of combines and CC party organizers. Cited were the results of such combines as the Leipzig "Werner Lamberz" Printing Plant, Teltow Electronic Components, the Schwarze Pumpe "Fritz Selbmann" Gas Combine, Magdeburg Fancy and Leather Goods, Dresden Robotron, Leipzig-Grimma Chemical Plant Construction, Sondershausen Potash, Karl-Marx-Stadt Domestic Appliances.(3) At the same time it became quite obvious that:

The assignment of challenging scientific-technical tasks is only one of the prime aspects in the race with time. It is equally important to quickly carry them out so as to gain time from the onset of R and D via the manufacture of the products and up to their sale on world markets. In other words: It is crucial to cut the time needed for research, the transfer to production and the introduction on world markets. It goes without saying that we also need to guarantee the highest possible standard of work. Designers, planners and technologists in some combines affixed their signatures to a "researchers' warranty" in order to document their responsibility for the faultlessness of the documents and models required for the transfer to production.

It is a cardinal concern of the management of combines and their enterprises at every stage and every step in the reproduction process to gain time and thereby speed up the total cycle of intensively expanded reproduction. This makes possible increased output at lower costs and stocks per product unit and the achievement of higher earnings.

Many combines are already using reliable experiences in order to cut the time needed for R and D work while maintaining high quality standards. These include:

-- Motivating researchers and developers to produce the best possible personal creative scientific-technological performance in the collective (for instance by extensive explanations of the political and national importance of the respective topic; by the provision of the basic requirements for success, that is by effective moral and material incentives; by nurturing a working atmosphere open to all innovations);

-- The concentration of manpower and resources to key tasks, top performances, the strengthening of interdisciplinary cooperation, of socialist team work;

-- Far reaching substantial, timely and organizational-methodological parallelism of the synchronized efforts of construction, design, technology, quality assurance, model and rationalization aid construction;

-- The use of efficient research equipment (including modern computers), the expansion of the experimental base and the capacities for model manufacture;

-- The accomplishment of research tasks by the division of labor among specialist collectives from GDR combines and production associations and scientific facilities in the USSR and other CEMA member countries;

-- Making sure of the rapid availability of data and information relevant to the product and production profile of the combine;

-- The resolute utilization of available national and international research results.

#### R and D in Effective Cooperation with Sales and Foreign Trade

Based on the fundamental national need for as efficiently as possible satisfying the growing needs of the people, Comrade Erich Honecker reminded the combines of the need for greater efforts to "on the basis of key technologies more rapidly improve the efficiency of our economy and with increasing modernity organize the structure of both production and exports."(4)

This explains the need to approach all issues involving the management, planning and organization of the reproduction process from the standpoint of the satisfaction of the demand as well as of the greatest possible national efficiency by competitiveness of our products on the international markets as well as by a gain of time. This requires the general and enterprise directors to consistently gear the entire economic operations of the combines and their enterprises to the rapidly developing dynamism of demand and rationally and with the greatest possible economic efficacy employ all resources for the planned satisfaction of the domestic demand as well as for the growth of efficient exports. This is a crucial prerequisite for gaining time in R and D as well as in other sections of the reproduction process.

This fundamental objective impacts the entire management system of a combine or enterprises--including all departments. It affects every manager, though of course the potentials and conditions of the various departments for exerting influence on demand oriented management tend to objectively vary quite a bit.

Due to their functions in the reproduction process and the objectives and conditions of their work, R and D departments as well as sales/foreign trade departments exert the greatest influence and therefore bear a great deal of responsibility. It depends largely on their assessments whether the general director decides to fix on a R and D target and to accordingly prepare for production and sales. This is a compelling need as the result of the development of needs, changes in demand and scientific-technological advances.

Marx provides us with the theoretical starting points we need to consult. To cite an example: We are often confronted with the need to initiate new R and D efforts because known needs can now be satisfied better and more efficiently--at lower financial, energy, materials and manpower costs. In other words, the "quantitative expansion of existing consumption" may be handled by the resources available. On the other hand, the growth of known needs also generates such a necessity, because "existing (needs) are propagated in a larger circle"; let alone of course the "production of new needs and the discovery and creation of new use values"(5) such as are now emerging in the wake of the use of key technologies.

For the R and D specialists in the combines this means in close contact with their partners in the institutions of basic research to answer the question: What impulses are triggered by scientific-technological advances for better satisfying known user needs, generating new ones and responding to them?

Based on their knowledge of the current international standard of development with regard to the economic utilization of the achievements of the scientific-technological revolution, based further on their closeness to the market, their constant contacts with the users of their products, sales and marketing specialists must be able to adequately forecast the trends of certain--usually very sophisticated--customer needs, the needs to be aroused and satisfied by profitable scientific-technical problem solutions. Only after taking all these aspects in account, is the general director--backed by his consultative bodies--able to arrive at the appropriate conclusions for the further processing, product and marketing strategy of the combine.

Profound specialized knowledge of the entire field and thorough analytical efforts are extremely important in order to counteract the danger that new scientific-technological results may well be translated into new products, but in the "hour of truth" fail to generate the expected results with regard to sales on domestic and foreign markets, because they either do not at all or only insignificantly improve on products already on offer on the markets.

We have repeatedly noted that product renewal should not amount to the introduction of just any scientific-technological novelties but to problem solutions that enable the user to obtain such good economic effects that he is willing to pay the appropriate price. This means that we must always bear in mind the actual future user. It is therefore necessary in all considerations regarding production renewal to begin by carefully weighing up the concrete sales sectors and customer groups. In foreign trade, for example, it is very important to remember that any change in the standard of use values and the ratio of price/foreign exchange price to the performance of new products may also mean a change in the customer group, in other words the volume of demand as well as the competitive status on the markets. Consequently it is imperative by close cooperation between R and D departments on the one hand and the sales department on the other to establish early on whether the potential group of customers is capable of absorbing a volume conducive to efficient production and to settle the correct piece figures. These departments must jointly ascertain how and at what marketing cost market positions are to be won, consolidated and expanded, and what are to be the economic targets for the work on foreign exchange prices.

## Consequences Arising for Management

Firstly: Combine managements are increasingly acting in full knowledge of the fact that the dice on the world market competitiveness of future products and processes as well as about the gain of time are cast as far back as basic research, and there primarily in combine or sector specific basic research. Accordingly research intensive combines are already allocating about 15 percent of their own research potential to strategically important basic research in order to have transferable products available at the right time. Some of these research intensive combines have set up a special department for "advance research," where long-range policies for the product profile are elaborated and decisions prepared for the general director on long-term economic and scientific-technological objectives (inclusive of market strategic aspects). Directed by a united and responsible management, the most able research cadres there cooperate with the most successful sales and foreign trade experts in result oriented socialist team work, in order at all times to have available the necessary advance knowledge--oriented to costs and sales. The department carries out theoretical and experimental basic research combined with constant observation of market conditions, guarantees need concrete advance research for products and processes and subsequently arrives at decisionmaking proposals for tasks to be included by the general director in renewal passports and tasking workbooks.

After a certain time, the sales and foreign trade experts return to their former jobs--enriched by the latest scientific-technological knowledge in their field--, while other cadres--equipped with the latest market knowledge--assume their place in advance research.

Secondly: Worldwide research is proceeding on the same or similar scientific-technological problems. The victor in the race with time will be he who is in the lead in the transfer of solutions to production and their introduction on the market. Consequently it is obviously of the utmost importance for our combine managements to be the first to assign the correct research objective, or at least to do so early enough to ensure the achievement of this objective. Moreover, we must even at this early stage consider the necessary realization conditions. Is the available capital equipment able to cope? Are the equipment and organization suitable to handle the new solution, and what needs to be additionally provided? To what extent will it be necessary by modernization and reconstruction to improve the flexibility of the technical base of production? What job or section related training will be required for managers and skilled workers?

We have seen that all these decisions require an adequate knowledge of future user needs and their potential satisfaction by novel scientific-technological solutions. Consequently more and more combines are in the process of establishing decision oriented and computer backed information systems that combine scientific-technical and market data. They are utilizing the knowledge and experiences of experts from basic research facilities at the academies and universities of the GDR as well as of competent bodies advising the general directors (specialized product group committees, scientific advisory councils to the general director, research council of the general director), where senior researchers, managers of the producing departments as

well as domestic and foreign trade experts are cooperating. Moreover, even at this early stage they encourage future users to have their say and fully exploit the wealth of experience of our cadres operating abroad.

Some combines have set up interdisciplinary collectives to handle challenging R and D assignments. Specialists from the combine, from component suppliers, future domestic users and representatives of scientific facilities at the academies and universities labor "round the clock" in closed sessions, until the concept for the new product or the new automation solution is firmly fixed. Working conditions are so organized as to effectively encourage an intensive creative process. As a result, the most able cadres are virtually competing to work on such projects.

Thirdly: Satisfactory experiences were gained also by combines and foreign trade enterprises that early on devoted attention to the views of sales and foreign trade organs with regard to the further processing conception, the renewal passport and the tasking workbook. This means that it is imperative to make tasking workbook work a permanent management obligation in our foreign trade enterprises, too. Above all the foreign trade enterprise and the sales department of the combine or enterprise need to fully agree and proceed to the deployment and training of cadres and the utilization of working tools in accordance with a common concept.

The Jena Carl Zeiss Combine, for example, provided the proper conditions for effective cooperation in the R and D process when setting up the structure of the foreign trade enterprise. Consequently the department for sales development and application closely cooperates with the research center and is actively involved in the introduction of new products to production. This means that it is influencing demand oriented R and D as well as the customer appropriate availability of products and services. The same department also prepares the introduction of the product on the market, uniformly manages it and carries it out fully oriented to the user. This joint approach is immensely important, because a new product or process does not, after all, "sell itself." In fact it is imperative to devote the utmost attention to the application as well as the training and information of agents, salesmen and home office staffs.

Not least does a tight management organization help guarantee accountable results from R and D through sales. Some combines are successfully operating a "new production" reporting system. The general directors of these combines set plan targets for the exports of new products to be aimed for, related to the respective product and country. The export enterprises are assigned assortment positions for the manufacture of new products each quarter. The indicators "new production" and "exports from new production" are here included in the competition management of the combine enterprises.

We have seen that the efficient cooperation of R and D with the sales and foreign trade organs of the combines represents a basic condition for cutting R and D times, ensuring top performances at the right time, permitting their immediate and most efficient utilization as well as generating new products that achieve success on the market by their quality and reliability.

## The Utilization of Modern Research Equipment

R and D times for new products, processes and technologies may be substantially cut by the use of highly productive research equipment, in particular by CAD/CAM work stations for technical and technological production preparation. As results obtained by machine tool and textile machine construction confirm, even the use of CAD as a "draughting and planning aid" only made for up to 50 percent cuts in development and transfer times. It will now be imperative to comprehensively utilize the qualitatively new opportunities offered by modern information and computer equipment--such as the calculation and simulation of product parameters and processes--before development is begun, as well as computer aided reliability tests at the development stage, variant studies and optimization. The speed of development will thereby be further raised, alongside the simultaneous improvement in product quality and lower costs of production preparation, model construction, materials and energy consumption.

The full utilization of CAD/CAM from the first product layout via design to complete technological production preparation in the "Werner Lamberz" Printing Machine Combine resulted in up to 55 percent cuts in development and transfer times for world standard setting products--although the volume of customer specific modifications increased. The integration of switch and printed circuit layouts in computerized production preparation enabled the combine to already equip 65 percent of the printing machines with microelectronic controls. The 18.8 percent rise in labor productivity (1986) was also largely due to the productivity improvement in the computerized technical production preparation.,

The efficient utilization of CAD/CAM for radical cuts in development and transfer times presumes that the organization and specialization of the entire R and D process is geared to this equipment. This requires high quality research equipment, custom made for the particular technical profile, in order to quickly and reliably prepare experimental and computer produced results or translate them into operational models. Progressive combines therefore utilize the potential of their own rationalization aid construction to themselves provide the appropriate research, measuring and testing equipment--in other words the material prerequisites for the intensification of R and D work. The Jena Carl Zeiss Combine VEB, for example, established a separate department where highly skilled workers develop and produce modern research equipment. They match the technical parameters of this research equipment with the computer equipment available in the R and D sections in order to develop new efficiency reserves for speeding up development operations by directly linking computer, measuring and testing equipment.

All combines must gear themselves in the spirit of the economic strategy to obtain maximum gains in time in the achievement of the greatest possible creative performances in R and D as well as their productive application. They have available the necessary intellectual, material and financial potentials to successfully handle this task and are obligated to further expand it as planned within the framework of intensively expanded reproduction.

#### FOOTNOTES

1. Erich Honecker, "In the GDR the Working People and Their Unions Are the Masters of the House," NEUES DEUTSCHLAND, 24 April 1987, p 4.
2. Guenter Mittag, "Kurs der Hauptaufgabe Praegt Arbeit der Partei und Handeln der Massen" [The Policy of the Main Task Stamps the Work of the Party and the Actions of the Msses], Dietzs Verlag, Berlin 1987, p 35.
3. Ibid, pp 29-32.
4. Erich Honecker, "Die Aufgaben der Parteiorganisationen bei der Weiteren Verwirklichung der Beschluesse des XI.Parteitages der SED. Aus dem Referat auf der Beratung des Sekretariats des ZK der SED mit den 1.Sekretaeren der Kreisleitungen" [The Tasks of the Party Organizations in the Further Implementation of the Eleventh SED Party Congress Resolutions. From the Address at the Conference of the SED Central Committee Secretariat with the First Secretaries of Kreis Leadership Organizations], Dietz Verlag, Berlin 1987, p 30.
5. See Karl Marx, "Grundrisse der Kritik der Politischen Oekonomie" [Outlines of the Critique of Political Economy], Collected Works, Vol 42, Dietz Verlag, Berlin 1983, p 322.

11698

## CONSUMER GOODS QUALITY IMPROVEMENT TECHNIQUES SKETCHED

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[Article by Dr Reiner Krannich, general director of the VEB Combine Home Appliances in Karl Marx Stadt: "Consumer Goods and Key Technologies"]

[Text] The development of consumer goods production is a fundamental element in the policy of our party, that serves the welfare of the people. The party program firmly establishes that "the assurance of stable supplies to the public of consumer goods with a steadily rising standard of quality...represents a priority political task," and that it is imperative to produce consumer goods "with use values and fashionable design that respond to the public demand."(1)

In just this spirit the Eleventh SED Party Congress directed the combines to apply their greater technical and economic strength to the development and production of more and better consumer goods. The rapid development of consumer goods production is a concern of the entire national economy and therefore a key issue in our economic strategy that looks toward the year 2000, the resolute implementation of the reliable unity of economic and social policy. In connection with the need to make available an attractive and high quality offer of consumer goods in public demand, Comrade Erich Honecker said: "We have here a combination of three aspects: Rising performances in production, the appropriate earnings of the working people and merchandise in the stores that allows our citizens to make satisfactory purchases with their money."(2)

## More and Better Consumer Goods

The collectives of the Combine Home Appliances consider their permanent motivation the increase in their share in the steady improvement of the people's material and cultural standard of living. They know that a high standard of supplies of technical consumer goods responds to a genuine public need, that it helps determine the efficacy of the performance principle, and that exports of consumer goods are vital in helping finance the necessary imports of raw materials, energy sources, materials and equipment for modernization. Consumer goods production is expected to make a significant contribution to the improvement of the overall cost/profit ratio in the national economy--due not least to the effects of further processing--because



the extent of the latter in technical consumer goods is about 50 percent greater than the average of the total national end product.

Our political and ideological work therefore constantly focuses on our responsibility for the demand appropriate offer of refrigerators and freezers, washers, heating and cooking appliances, household china, cutlery and other items of daily need. We definitely must make sure of having these goods available and, at the same time, maintain a smoothly operating customer service and the availability of replacement parts--organized and attractively presented by purposeful cooperation with the retail trade. In the spirit of these objectives we reinforce modes of thought and attitudes conducive to the growth of labor productivity, the improvement of product quality, the better utilization of fixed assets, materials and energy. The fighting program of the base organizations in the combine is logically focusing on the achievement of top results in the development and production effective application of scientific-technological performances while speeding up the entire reproduction process. With the slogan "my work place--my battleground for peace," the collectives are concerned to turn out more quality products at less cost, more quickly transfer new products to manufacture and also achieve satisfactory profits. These include such products in great demand as the new KS 1550 refrigerator, distinguished by low energy consumption, a coal fired warming oven that conserves coal, a new electric cooker with a multifunction baking oven and new assortments of household china, cutlery and kitchen knives.

The more than 28,000 workers in our combine met or exceeded all obligations assumed in the course of the competition for the 1986 party congress year. Labor productivity rose faster than net output; we were able to exceed the planned net profit, our export plans and the planned output of finished products for the public. In 1986 we renewed 45 percent of our production, and two thirds of the production volume of new products were distinguished by the "Q" quality mark, in other words represent top performances. A truly successful year for the collective of the Combine Home Appliances.

For 1987 also we have assumed challenging obligations in the socialist competition while aiming for high growth rates in the development of output. We intend, for example, to make available the following above plan quantities for the public and the export trade: 5,000 washers, 5,000 refrigerators, 1,500 gas space heaters and household goods worth more than M4.9 million. Following the example of the Zeiss workers, our collectives also assumed the obligation in 1987 to ensure full production with less energy consumption. The use of new insulation materials in energy intensive stove enameling plant, a "sensitive" electronic temperature control and cuts in heating times are saving a large volume of electricity.

We have realized these targets ahead of the plan in the course of the 1987 plan year and, moreover, did so for all headings. The comprehensive accomplishment of our tasks is due in particular to the time gained in the realization of scientific-technological projects, including materials and energy savings.

Our operations are guided by the supreme principle that we orient our production fully to the needs of domestic and foreign markets. With this goal in mind we are carrying out our own market research in conjunction with the foreign trade enterprise Union Home Appliances Export-Import and also cooperate closely with the organs of the domestic trade.

#### Micro Electronics in Consumer Goods

The work collectives of the Combine Home Appliances are committed to the task to annually renew 30-40 percent of the output and thereby guarantee the best possible business and social profits. Hard and monotonous manual work was eliminated by the use of industrial robots to feed and link the giant presses that manufacture parts for newly developed gas space heaters. Before this project was carried out, a worker needed to carry to the presses as many as 12 tons materials in a single shift. Now industrial robots and interlacing assembly lines handle this job with greater precision, more smoothly and faster. The change in job contents has resulted in rising challenges to the training, sense of responsibility and reliability of the working people. Machine operators are able to cooperate in the equipment of the plant, deal with breakdowns and carry out the necessary program corrections all by themselves. Moreover, as a result of the use of microelectronic controls in this production section it is possible to just as efficiently manufacture small series of 13 different components with different processing sequences as mass produced processing components. Six workers were released by the fabricating shop, and it was possible therefore in the course of 2 years to raise by 50 percent the internal enterprise capacities for the construction of rationalization aids.

Some years ago we needed 300 grinders and polishers to manually apply the "final finish" to cutlery parts, and their work was extremely strenuous. Subsequently we installed a transfer line for surface processing, developed in the combine and manufactured with the help of enterprises of the capital equipment manufacturing industry in the Aue region. As a result only 56 workers are employed in this section now; they handle mainly maintenance and supervisory work. At the same time we managed in the past 20 years to quadruple the volume of cutlery produced.

We are organizing renewal in the unity of the development and production of new products, new processes and the application of advanced technologies coupled with the broad application of computer equipment to intensify production preparatory processes, management, planning and production control as well as production proper. Party guidance and management operations in the combine at all times remember that--according to Comrade Erich Honecker--the benefits and advances achieved by the extensive utilization of key technologies are specially evident to the public precisely in the guise of high quality industrial consumer goods.(3)

The results of our efforts confirm that the use of key technologies in consumer goods production facilitates outstanding effects, because--on the one hand--the mass nature of this production exerts a multiplier effect. The annual output of our combine amounts to almost 2 million major home

appliances, equipped with sophisticated microelectronic controls. On the other hand, the large-scale use of such appliances in the home results in savings, for example with respect to energy and water consumption. Such savings are important in national terms; moreover, the use of key technologies here also enables us to observe our responsibilities toward the environment and the protection of nature. We are thus committed to the task "in each combine to approach the widespread introduction and application of key technologies from the standpoint of responsible and nationally oriented economic work."(4)

The new stage of the scientific-technological revolution, featuring the development and application of key technologies, provides researchers, designers, technicians, innovators and rationalizers with a broad field for creative and fruitful labor. We have seen this demonstrated in our combine. Our own R and D potential, with help from the Karl Marx Stadt region, managed in less than 1 year to develop a microelectronic control for fully automated washers, and we transferred this to production in an enterprise of our combine.

By comparison with the preceding model, software intensive solutions enabled us to save 70 percent of components in the new control. In the second half 1987 we will mass produce the new VA 861E fully automated washer with the newly developed FORON control. Compared with the earlier product, the weight of the appliance will be reduced by 20 percent, due to the reduced use of castings, copper and dynamo sheet, electricity consumption will drop by 22 percent, water consumption by 21 percent. The fully automated washer provides a valuable service to the user and also to the installer: It has an indicator that signals coded warnings of various defects--for example failure to open the water faucet, kinks in the drainage hose, and so on. In the case of other malfunctions, the installer may use a special service program that allows him to quickly inspect all operations and find the cause of the malfunction without opening up the appliance. At the same time the control software also includes two programs for inspections in the course of the control's manufacture as well as for inspections of the fully automated washers. As a result delivery quality has been significantly improved.

Still, by no means all potential applications of key technologies in the manufacture of these products have been exhausted. The combination of scientific-technological advances in microelectronics, micromechanics and sensoric equipment as well as the use of new detergents will make possible even more improvements for producers, consumers and the national economy.

Frequency adjusted propulsion systems, sensors for precise water volume ascertainment, moisture perception and weight recognition as well as the chemical-sensitive analysis of the detergent solution will soon help us to further important materials and energy savings, lower pollution standards and rising use values in the production and use of washers.

Other collectives in our combine are intensively working on the preparation of the production of freezers with microelectronic controls and electric cookers with microelectronically controlled baking and frying processes.

## By Way of Automation

In consumer goods production the use of electronic computer and control equipment, industrial robot equipment and other key technologies as well as the expert utilization of their potentials represent the basis for the ongoing dynamic development of output. High growth rates in labor productivity are facilitated, and flexibility is improved--providing a decisive prerequisite for the steady renewal of production and a quick response to customer wishes.

The planning and realization of flexible automated production sections and entire plants increasingly decide the topics for the work of our collectives in research and development, planning, the construction of rationalization aids and machine tools, modernization and maintenance. The handling of modern equipment--computer controlled machine systems, the rapidly growing numbers of industrial robots and the computer equipment coming to the fore in all departments--, the construction of rationalization aids and the automation of information systems as well as production preparatory processes that are of an increasingly scientific nature--they all show that our workers are more and more becoming the rulers of production, the masters of equipment. Already more than 1,000 industrial robots are employed in our combine and have resulted in productivity growth, improved quality and better working and living conditions for our workers. Upon the realization of flexible automated production sections as well as assembly automation, this key technology, in conjunction with microelectronics, micromechanics, sensory equipment and optoelectronics will continue to gain in importance for the production of consumer goods.

Our combine is engaged in achieving flexible automated production for the manufacture of newly developed hermetic refrigeration compressors--the core of our refrigerators and freezers. Challenging targets oriented to the trend of international developments and new CAD work stations for calculation and design work were the starting points for better quality efforts by our development collectives in order to achieve a series of compressors that need 42 percent fewer castings by comparison with their predecessors. At an energy performance index figure above 0.9, the new compressors set a top scientific-technological standard. Upon the realization of the total projects, labor productivity will rise to 228 percent and production quantities to 164 percent. The degree of automation will amount to 80 percent. These results will also be incident on the use of 180 process flexible or specific industrial robots, the employment of computer equipment for the control of production sections, for distribution in component storage facilities and the preparation and analysis of the data of the reproduction process. Computer assisted transportation and storage processes as well as measuring and testing operations will be fully integrated. Excessively hard and monotonous labors will be alleviated or removed for almost 400 workers.

The combine's own efficient capacities for the internal construction of rationalization aids, for process research, planning and design represent important material-technical prerequisites for the highly productive manufacture of consumer goods, renewal processes and the rapid application of key technologies. In their 1987 campaign programs, the base organizations in the combine have therefore once again assumed the obligation to develop and

encourage initiatives designed to achieve a 10 percent overfulfillment of the planned ambitious growth in the combine internal production of rationalization aids. We aim this year to produce rationalization aids to the value of almost M110 million. We are meeting 50 percent of our equipment needs by the machines and plant produced or modernized by our own rationalization aid construction.

We are employing successfully working youths from youth research collectives, highly skilled workers, ambitious designers and technicians for the ongoing qualitative and quantitative reinforcement of our rationalization aid construction. We are, for instance, largely using computer equipment to rationalize the construction of rationalization aids. Some 60 percent of the rationalization aids we have manufactured ourselves are equipped with CNC controls. At the same time we are working on the production effective use of laser equipment as well as functional and decorative resistant material coatings.

Punching dies for cutlery parts, for example, are designed with the help of computers. Manufacture of the tools also proceeds computer aided on a wire erosion plant operating round the clock. By using CAD/CAM equipment we have achieved a 200-300 percent growth in labor productivity in this section. Renewal rates of 30-40 percent and ambitious growth rates in output and efficiency are no longer feasible without such equipment and the appropriately trained cadres in rationalization aid and tool construction.

The structure as well as the design and decoration of household china, the manufacture of models, the design and manufacture of tools and the production of china in the combine proceed with the aid of computers. This enables us to quickly respond to customer wishes and fashion trends and to as efficiently turn out small series as large volume production. Development and transfer delays have been cut from 30 months to 8 months. Designer productivity rose by 250 percent. On top of that we are benefiting from material economic effects achieved by the optimization of materials thicknesses as well as ironing and pressing processes.

The requirements arising from the targets for the development and, above all, the rapid use of key technologies also exert a stimulating and integrating effect on research and production. Our combine's cooperation with institutions of the academies and universities/technical colleges has brought about an entirely new quality of work in the past 2 years. We have organized cooperation to a highly mandatory effect by the conclusion of coordination and performance contracts with clear objectives and obligations for the partners. Personnel of our microelectronic center have work stations at the Technical University, Karl Marx Stadt, and trainees and research students work in our enterprises. We are participating in the establishment of the most modern laboratories and testing stations, among others for the use of laser equipment at the Mittweida Engineering College. There is hardly a single task in the plan science and technology, geared to top performance, that is not tackled in cooperation with scientific institutions.

These examples and results clearly demonstrate that scientific-technological progress reveals novel dimensions of creativity in consumer goods production

also. Manufacturing processes, in particular those that used to involve hard manual labor and monotony, are being reorganized, the creative side of human activity is coming to the fore. New challenges to knowledge, abilities and skills, to consciousness, attitude and professional commitment need to be coped with because productivity, the economic and social application of key technologies depend on them more than ever.

#### Management Decides Performance

We have gained four fundamental perceptions for management from our work on the development and use of key technologies:

1. The extensive use of key technologies provides the planned great economic and social effects only if the entire management, each party organization and all social forces are geared to the necessary profound changes in their work, and if all working people are involved from the very beginning. Results depend in particular on the employment of highly skilled workers in research, model construction, production and services. The good general education and sound technical knowledge of our workers are of inestimable value for continuing training such as required for the use of key technologies in modern consumer goods industry, too, and at every work station.

2. The development of long-range conceptions for renewal and automation and their availability at the right time has become imperative in order to determine the mandatory targets for the stages and sections of the plan. To do this we need to comprehensively project economic and technical thinking from the future to the present: In other words, the basic structure of the automation to be achieved for entire departments and factories must be available in order to realize to the best economic effect and at the appropriate times all the sections capable of being integrated.

3. Concentrated work in research and with respect to the use of key technologies presumes stable daily plan fulfillment accompanied by great performance growth because this is the only way to make available time, manpower and resources for the considerable preliminary services needed. We have learned that it is indispensable for the general director to set concrete targets and dates and to observe his political responsibility in direct contact with the collectives in order to strengthen discipline and commitment in creative struggle for the management of time.

4. Efficient internal rationalization aid construction capacities, internal capacities for process development and planning as well as potentials for the development and production of microelectronic controls and other standard setting component subassemblies as well as close cooperation with scientific institutions are vital material-technical and organizational conditions for achieving the best effects in the development and application of key technologies.

The most important tasks to be jointly accomplished by the party organization and the general director concern the resolute implementation of party resolutions by the power of the collective, the increasing motivation of the combine workers to outstanding performances in plan fulfillment, to greater

creative involvement in management, planning and daily work. At the same time this requires the ever more perfect realization of democratic centralism. Our daily work is always based on the fact that the worker will always be the creator and creative organizer of production, products and social conditions.

For his entire management operations, the general director relies on the party organization, the advice of the party secretaries, the collective of BGL [plant labor union executive board] chairmen, the youth and women's study group, the Chamber of Technology, in short all social forces in the combine. Party activist meetings, innovator conferences, discussions with youth brigade leaders and managers of youth brigades are among the reliable ways of involving many workers in the accomplishment of combine tasks and simultaneously ensuring uniform orientation to political-ideological and economic-organizational efforts.

When we speak of guaranteeing efficient management in our combine, we mean especially the need to realize our plan targets including the obligations in the socialist competition, to develop more and better consumer goods for our people and the export trade as well as produce them at a reliably high quality and make sure of good customer service.

#### FOOTNOTES

1. "Programm der Sozialistischen Einheitspartei Deutschlands" [SED Program], Dietz Verlag, Berlin 1976, p 29.
2. Erich Honecker, "Die Aufgaben der Parteiorganisationen bei der Weiteren Verwirklichung der Beschlüsse des XI. Parteitages der SED. Aus dem Referat auf der Beratung des Sekretariats des ZK der SED mit den 1. Sekretären der Kreisleitungen" [The Tasks of the Party Organizations in the Further Implementation of the Eleventh SED Congress Resolutions. From the Address at the Conference of the SED CC Secretariat with the First Secretaries of the Kreis Leadership Organizations], Dietz Verlag, Berlin 1987, p 50.
3. Ibid, p 31.
4. Guenter Mittag, "Kurs der Hauptaufgabe Praegt Arbeit der Partei und Handeln der Massen" [The Policy of the Main Task Stamps the Work of the Party and the Action of the Masses], Dietz Verlag, Berlin 1987, p 41.

11698

## FIRMS ADVERTISE FOR AUSTRIAN JOINT VENTURE PARTNERS

Vienna DIE INDUSTRIE in German 27 May 87 p 30

[Text] According to the Hungarian Chamber of Commerce, the following Hungarian firms are seeking Austrian partners for the establishment of joint ventures. Interested Austrian firms are requested to get in touch directly with the respective firms.

Name and Address of Hungarian Firm Wishing to Establish Joint Ventures	Planned Sphere of Activities	Expectations vis-a-vis the Foreign Partner
Gardenia Lace Curtain Factory, Gyor, Csipkegar u. 11	Production of modern lace and jacquard curtains, export to West European markets, production of fabrics with Madeira embroidery	Modern production facilities and plant; market for these products
SALINA, Enterprise for Machine Construction and Insulation Equipment, Pusztaszabolcs, Iskola u. 1	Top quality precision rubber goods--hydraulic and pneumatic insulation components--for sales at home and abroad, renewal of working cylinders for domestic operators at a high technical standard, in the form of services	Experience in the production of pre- cision rubber goods, modern production equipment, contribu- tion of machinery or cash in the amount of about U.S.\$2 million
Small Engine and Machine Factory, Budapest XI, Fehervari ut. 44	Light metal foundry and metal treatment, manual and machine gravity die- casting at low and high pressure, age-hardening of aluminum castings	Maximum 50 percent coverage of investment costs; debited to the capital contribution represented by top quality plant and



Danube Iron Works	Expansion of the oxygen development factory, inert gas processing (crypton, argon), gas liquefaction	measuring instruments to the value of about U.S.\$1.6 million Contribution of machinery or cash to the value of roughly U.S.\$6 million
Szerencs State Farm Szerencs, P.O.Box 49	Mixed fertilizer production from poultry manure based on Hungarian technology, export to the CSSR, Austria and Yugoslavia	Equipment for standard packaging to the value of about U.S.\$40,000-60,000
Zala Industrial Cooperative Zalalovo, Kossuth L. u. 1	Production of frost resistant ceramic wall and floor tiles based on Hungarian technology at the same quality as Klingerberk Dekoramik products. Annual output: 150,000 square meters	Sales abroad. Machines or plant to the value of about DM1.9 million
Kanizsa Furniture Factory Nagykanizsa, P.O.Box 79	Upholstered furniture	Machinery and know how, help with design, marketing in Western countries for two thirds of output. Total capital of the planned joint venture: U.S.\$2 million, \$1 million of which to be contributed by the foreign partner
Transdanubian Oil Machinery Works Nagykanizsa, Var u. 9	Plant for oil production, pipe closures and other equipment, various devices for the chemical industry, iron frames	Establishment of a joint venture with about U.S.\$50 million total capital, \$25 million to be contributed by the foreign partner
Clothing Factory Pava Budapest XXII, Terv u.1	Manufacture of blouses, women's and girls' dresses	Machinery or cash contribution to the value of about U.S.\$200,000

Enterprise for Vehicle Fixture Production, 1601 Budapest, P.O. Box 73	Fixtures for road vehicles and railroads from aluminum, pressed aluminum components, frame systems, and so on	Technology and equip- ment for the manu- facture of aluminum products. Market. Machinery contribu- tion to the value of about U.S.\$800,000
Furniture Factory Garzon	Furniture for computer offices	Machines to the value of about \$1 million
Torokszentmiklos State Farm, Torokszentmiklos, Felszabadulas ut. 6	An old castle with a large park and hot springs (86 degree centigrade) for purposes of tourism	Conversion of the building for tourists Cash to the value of about U.S.\$1 million
ELEKTRO-COOP, Enterprise for Cooperation and De- velopment in the Elec- tronic Industry	Manufacture and export of black and white and colored printing products	Markets for the pro- ducts, machinery con- tribution to the value of about U.S.\$120,000
MASTERFIL, Cotton Spinning Enterprise Budapest XVIII Gyomroi ut. 85-91	Construction of a cotton spinning mill and cotton PE manufacturing plant	Modern equipment to the value of about DM14 million

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## PRIVATE ENTERPRISE INCOMES, TAX SITUATION ANALYZED

Budapest FIGYELO in Hungarian 4 Jun 87 p 4

[Article by Dezso Suto]

[Excerpt] As of 31 December 1986, the number of enterprise business associations [VGMK], independent business associations [GMK], specialized industry and service cooperatives, and civil law associations [PJT] was 39,053. These groups are not autonomous legal persons nevertheless are doing business (i.e. file tax returns). Their numbers show a dynamic growth over the past several years. Following their sudden increase in 1985 (in that year the increase amounted to 20 percent,) there followed a more moderate growth of 11.8 percent in 1986.

Aside from the continued prevalence of the fundamental growth trend, the organizational profile of small private enterprises shows significant change. In 1986, six to eight percent of the existing organizations went out of business. This rate of attrition corresponds with the 5 year average. (In 1986 a total of 3,512 corporations discontinued their activities or changed their organizational form.)

By the end of 1986 the number of GMK's has increased by 17.7 percent, while the number of PJT's and associations doubled. The latter phenomenon may be attributed to the fact that, beginning in 1986, the tax treatment of small agricultural producers' voluntary associations was the same as that of PJT's. At the same time, corresponding to previous years' trend, more than half of the private enterprises (57.6 percent) operated in the form of VGMK's. The 1986 growth rate of VGMK's slowed down to a mere 6.3 percent.

The proportional shift of organizational forms is to be credited to regulatory changes--various regulatory provisions had different effects on small enterprises. A difference in competitive situations was increasingly noticeable, and the positive aspects of various ventures appeared in a more pronounced manner. A trend toward increased independence could be seen: e.g. a respectable number of specialized industrial groups was transformed into small cooperatives and GMK's.

On December 31, 1986, the number of individuals working at small enterprises stood at 447,041. The rate of increase fell behind the 19.7 percent increase witnessed during the previous year: in 1986 it amounted to 12 percent only. Most increase may be attributed to the creation of new small enterprises. The average number of workers per small enterprise remained unchanged, at 11 persons. There was an above average increase in the number and ratio of those working for GMK's however, and the growth rate of those working in VGMK's slowed down from 20.3 percent in 1985 to 10.3 percent in 1986. The actual increase amounted to 25,000 individuals.

Approximately 13 percent of the entrepreneurs (58,832 individuals) considered small enterprise as their main occupation; conversely, more than four-fifth of the participants continued in their original jobs and viewed small enterprise as a secondary source of income. It thus became apparent that most entrepreneurs would not exchange the lower income and greater security provided by employment relationships for enterprising, on the other hand, the income earned through primary employment in the state sector, supplemented by income earned from a secondary occupation in small enterprises came close to, and in many instances exceeded, the average primary occupation small enterprise income.

The total 1986 small enterprise value of production amounted to 50.3 billion forints. This represents a 20 percent increase over the previous year. Discounting the effect of the increased number of workers in small enterprises, the per capita value produced in 1986 amounts to 112,500 forints. This reflects an 8 percent increase over 1985.

The added value index serves as the most appropriate basis for people's economy income analysis. The added value produced by small enterprises in 1986 amounted to 41.7 billion forints--a 21.6 percent increase--while state enterprises and cooperatives produced 704.7 billion forints, approximately the same amount as in the previous year. The increase amounts to only 0.7 percent.

The change in the number of individuals engaged in small enterprise work distorts the production data, however. But this distortion can be rectified by applying the per capita added value index. In the state and cooperative sector the 1986 per capita added value increase amounted to 7 percent, while small enterprises showed an 8.2 percent increase. But since most workers engaged in small enterprises pursued those activities as a secondary occupation, the applicable index was adjusted to reflect an average 2.6 hour workday. Based on these calculations, the per capita small enterprise added value index in 1985 showed 192,000 forints, while in 1986 the same amounts to 221,000 forints. By and large, this corresponds with the per capita income produced in state enterprises and cooperatives (196,000 forints in 1985 and 209,000 forints in 1986). Accordingly, taken as a whole, small enterprises were more efficient in 1986 than state enterprises and cooperatives. Their efficiency differential amounts to 15.1 percent, while the increase in state enterprises and cooperatives was only 6.6 percent.

One should note, however, that today's methods for measuring production and efficiency are not fully reliable. There are a number of distorting factors.

For example: the reporting system used by small enterprises is substantially simpler than the one used by state organizations. In addition, the availability of certain types of data used in calculations (e.g. workday calculations for those who pursue small enterprise work as a secondary occupation) is limited, and can be used only by making significant adjustments.

Prices that may be used with respect to state and cooperative sector activities are quite different from those that prevail in small enterprises. While pricing in the state and cooperative sector is subject to numerous rules and regulations, small enterprises enjoy more flexibility regarding goods classified as eligible for free market pricing.

In comparing production and efficiency indexes one must not disregard the fact that the largest number and ratio of small enterprises appears in the form of VGМК's. VGМК's are not really private enterprises. For all practical purposes they perform contract work, keeping to a minimum their material costs and needed assets. VGМК's do not produce directly for the market, but rather in response to orders received from their employers: the state enterprises.

As a result of the above described methodological problems one should avoid making comparisons. Small enterprises must be compared primarily with each other.

I have described certain problems related to the income analysis of small enterprises in an article entitled "Before And After" (FIGYELO No 48, 1986.) In order to avoid misunderstanding, let us examine the facts. The 1986 gross income of small enterprises increased by 17.3 percent, while the net, after-tax income of participants increased by 16.7 percent. This increase amounted to a total of 20.8 billion forints. The per capita net income increased from 44,000 forints to 46,500 forints (a 4.7 percent increase). Within these figures, the average annual per capita income of those who pursued small enterprise work as their main occupation amounted to 93,523 forints. Accordingly, the per capita income increment is half that of the national average. If we compare the income of those who pursue small enterprise work as their primary occupation, with the 80,000-100,000 forints average income of workers in well-managed enterprises or cooperatives, we find that small enterprise workers are better off by 10-15 percent. This is so after deducting an average of 10 percent for social security contribution. The financial situation, the purchasing power of those who pursue small enterprise work as a secondary occupation--some 390,000 individuals--is fundamentally determined by the extra income obtained through work performed in small enterprises. Considering the per capita 2.6 hour workday adjustment, one finds that the average hourly income earned in the course of a secondary occupation is multiple of what could be earned in the state sector, or, for that matter, by individuals who pursue small enterprise work as their primary occupation.

The significant excess income earned in small enterprises as a secondary occupation, as compared to earnings from primary occupations, are made even more popular by the more favorable requirements for social security contribution.

As of 31 December 1986 small enterprise assets amounted to 7.1 billion forints, a 29.8 percent increase over the 1985 figures. Since the original authorization to establish small enterprises, this was the first year in which the increase in assets exceeded the increase of earnings indexes. In accomplishing this growth, the more than doubling of the assets held by "other" organizations, such as PJT's played a minor role. The significant factor was that GMK's secured a legal right to acquire common property. This resulted in a 40 percent increase in GMK assets. Equally significant is the effect of the permission granted to small enterprises to procure certain means of production (e.g. high priced motorized vehicles) that were prohibited before.

Nevertheless, the value of assets projected on a per capita basis amounted to only 16,200 forints. Once again, this figure is somewhat distorted, because 60 percent of the small entrepreneurs works in VGMK's, performing contract work with "leased" equipment. If we disregard the value of such "leased" assets, the per capita value of assets increases to 40,500 forints.

In 1986, small enterprises contributed 10.3 billion forints to the state budget--an increase of 21 percent over the 1985 figure. The adjusted figure of per capita contribution, after taking into consideration the changed number of small enterprise workers, amounts to 23,000 forints, a per capita increment of 1,700 forints. This amounts to an 8 percent increase. Accordingly, the increase in contributions to the state budget and the production increase are equal, but neither reached the per capita increment in earnings share. This means that the disposable income of small enterprises expanded, and that as a result, the financial condition of small enterprises has improved.

These data suggest the following conclusions:

By necessity, the regulation of small enterprises was made part of an already functioning tax structure that treated the socialist sector separate from the private sector. The continuous, after-the-fact modification of the two different regulatory and taxation systems failed to merge the two systems.

Differences between the state sector and the private sector became pronounced in the context of certain regulations. Among these we find regulations that are either favorable or unfavorable to small enterprise, e.g. the introduction and increase of the special tax, the introduction of a nominal organizational tax, and its significant increase later.

Small enterprises expanded their gross national work hours and the gross production of the people's economy in an extensive manner. The positive aspect of their functioning can be seen in budgetary limitations that are more rigid than in the state sector, and the sensitivity they have demonstrated from the viewpoint of expenses. (Their general overhead is negligible, and the amount of disposable funds is greater.)

A further positive aspect may be seen in the fact that small enterprises played a definitive role in stimulating market conditions. They have contributed largely to providing significant supplemental income to income earned in primary occupations, and the supplement is proportionate to production.

All of the above indicates that as of today the regulation of VGMK's is unresolved.

Future regulations applicable to small enterprises (and especially to VGMK's) must be refined. The popularity of small enterprises, as well as the existing differences in tax treatment call for a taxation system that is neutral with respect to organizational forms. The general sales tax and the individual income tax would be (will be) neutral from the viewpoint of organizational forms and sectors, i.e. the activities and earnings of state enterprises, cooperatives and small private enterprises enjoy an equal footing.

It is likely that the modernization of the taxation system and the introduction of the entrepreneurial tax will contribute to the cessation of polarized interests and to the achievement of neutrality from the viewpoint of competition. From the standpoint of the people's economy, the utility of small enterprises is unquestionable. It is my judgment that resolution of the above problems is the key issue that governs the future of small enterprises.

#### News

If everything continues the way things are evolving, in a decade private commerce will achieve the same status it enjoyed prior to nationalization, according to a delegate's comment at a recent board meeting of the National Free Organization of Retailers [KISOSZ]. The fact is that over the past six years the number of retail licences has doubled from 14,883 to 32,115, and the prevailing view concerning private retail operations has also changed gradually. "The coming year represents a new turning point in the life of our organizations," KISOSZ president Erno Szilkovacs announced. "The new tax reform poses more stringent requirements, the tax burden will increase and book-keeping will become substantially more complicated."

The KISOSZ board approved a recommendation affecting small retailers. If adopted by the authorities, the resultant measure would cease unfavorable discrimination in procurement and social security contributions, expand the system of voluntary tax returns, provide judicial settlement of tax disputes with authorities, and enable retailers to attract private capital.

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## FASTER DEVELOPMENT OF MARKET MECHANISMS URGED

Budapest FIGYELO in Hungarian 2 Jul 87 p 3

[Interview with Bela Szikszay, state secretary and president of the Office of Materiel and Price Control by Gabor Karsai]

[Text] At issue: the relationship between tax reform and price reform, and the anticipated changes in the pricing mechanism.

[Answer] We will not surrender the most important basic principle, namely that prices must reflect the joint effect of justified expenses and of market conditions. This holds true in face of the Spring 1987 revocation of the direct pricing provisions of the competitive processing industry pricing rules. After all, world market prices will continue to shape domestic prices. In this sense there is no change of philosophical significance.

[Question] What sense does it make then to talk about price reform?

[Answer] The changes are significant, nevertheless. With the introduction of price reform, price ratios will change at the macro-economic level. These changes have three clusters: first, price ratios of base materials versus processing industry products, second, changed price ratios within the processing industry, and third, the rising retail prices of food products and services.

We will continue to follow world market prices regarding base materials and energy producing materials. And since a decision was made according to which we will not change convertible currency exchange rates, their domestic prices will be unaffected as a result of tax reform. On the other hand, processing industry prices will decrease, in other words, the unchanged raw material prices will be relatively overstated. This occurs as a result of the re-grouping of taxes which, in part, transfers the tax burden to the ultimate consumer.

Within the processing industry, the prices of equipment-, material- and wage-intensive products will be affected by tax reform in different ways, therefore the price changes will vary by product.



Utility, producer and consumer service price increases stem in part from the labor-intensive nature of these areas, and in part from the reduction in price supports. The individual income tax system places a greater value on live work.

The anticipated price increase of basic food products results from the discontinuation of price supports. As of this moment, no decision has been made regarding the extent of reduction that will be applied to the various products. The way I see it, the determination of two decades ago will prevail in a more consistent manner, narrowing the sphere of price support to products that require long-term support. With respect to most products we will endeavour to achieve a zero sales tax.

These are one-time changes. They become reform measures by virtue of changes in the pricing mechanism, i.e. if we do not "run out" of sales taxes (AFA) and if consumer price supports do not increase. In other words, it would become the rule that producer prices and consumer prices work in tandem. This would mean that producer pricing practices and their control would gain increased significance--under conditions of a truly normative tax system the government will hardly have an opportunity to use special measures of intervention regarding the formulation of consumer prices. In the future, the tandem movement of producer prices and consumer prices must be assured. This applies even to those products which will be scheduled for long-term price support. In other words, the price support index will become a pre-established factor.

[Question] Does this mean that in the future all products will be subject to free pricing?

[Answer] No. There will continue to be products with prices fixed by the authorities, although their rate will be reduced from the present 38 percent of all consumer products to 30 percent. There will be no change regarding basic food products, energy producing materials, pharmaceuticals and essential services. Regarding these products the tandem movement of producer and consumer prices will be phased in. This means that consumer prices will be adjusted to producer prices each year, or every second year.

[Question] How large a price increase may we expect next year?

[Answer] Tax reform will have a one-time effect of raising prices by 3.5-4 percent. One must add to this the price increase that results from the removal of price supports--this will add another 2-2.5 percent increase to prices in 1988. We are aiming for at least a zero sales tax with respect to some heretofore heavily supported items, such as building materials and children's clothing. These decisions will have to be made in light of socio-political considerations. The carry-over effect of this year's price increases will be at least 1 percent, and next year's market price increases may amount to 4-4.5 percent. Altogether then, we can expect a two-digit (approximately 10-12 percent) price increase in 1988. This price increase will affect various strata in different ways, depending on the possibility of wage increases and on socio-political measures. The final results may be in harmony with the requirements of the 1988 people's economy plan.

The principle of price adjustment is that any and all price movements that are related to changes in the taxation system should be allowed to take place. Meanwhile, however, the real net worth of enterprises as a whole cannot increase. This assumes a nominally smaller profit and smaller net worth than before, because, as I mentioned before, the means of production will cost less. We must take into consideration, however, that in the interest of expanding their resources, enterprises will endeavour to at least nominally preserve their earlier position. For this reason, if we want to avoid run-away inflation, the price changes must be controlled by rules, and there will be a need for an accelerated building of markets and for continued effective price controls.

[Question] Viewed from the outside, the justification of expenses is very difficult. For instance, as Maria Augusztinovics demonstrated in the May issue of KOZGAZDASAGI SZEMLE, in the course of the 1959 producer price adjustments and again, during the introduction of the 1980 "competitive" price system, the enterprises won an overwhelming victory over central authorities in their "war of numbers." This is so because the enterprises had built up significant reserves. Isn't there a similar danger associated with the upcoming price adjustments?

[Answer] Maria Augusztinovics is correct, of course, but this time we are not carrying out a price adjustment of the traditional type. This is not the kind of price adjustments that starts from "the bottom up," from the mining and foundry industries up through each vertical structure. The price adjustment we are going to have is to be implemented by using simplified methods. The enterprises will be held to price indexes that were pre-calculated by the authorities. This process appears to be more readily revealing than the earlier process--although we have not seen the actual process yet, we are not viewing a game that has already been played. At the same time it is also true that there is no governmental authority that can replay the bargaining process conducted by the purchasing enterprise. Accordingly, we are encouraging the enterprises to take a firm stand if vendors try to raise prices without proper justification.

[Question] Considering present market conditions, this will hardly be a characteristic phenomenon. And since at present one can hardly fight for price supports and tax reductions, one can count on rather strong inflationary pressures. How can inflation be controlled?

[Answer] Doubtless, endeavours to raise prices have gained strength already. In part this is a result of the 8 percent devaluation of the forint that took place twice during the past six months, but there are many who try to achieve a favorable starting position for the time when price adjustments take place. Maria Augusztinovics is unquestionably correct when she says that enterprises endeavour to use price adjustments to create reserve profits. So far it was possible to keep inflation within the limits projected by the government. This was possible by virtue of reporting requirements and agreements concerning enterprise pricing policies. The pressure exerted upon us, however, is on the increase, and therefore one cannot rule out the possibility that we will be forced to introduce far broader reporting requirements than before, short of a price freeze. By and large, such action would last from Spring to

Fall, 1987. Or more accurately, it would last until we could accomplish the control function that is based on prices and price indexes, worked out jointly with the enterprises. The sooner we accomplish these functions--say by early next year--the earlier can we relax the reporting requirements. It must not be our purpose to order a price freeze (i.e. the establishment of price levels, the prohibition of price increases, the accumulation of tensions)--such action would do more harm than good. We feel that the reporting requirements provide sufficient force to ensure that the justified, and only the justified price increases will take place. I want to emphasize again that in this process we are counting on enterprise cooperation with respect to their purchases, that they will be able to drive hard bargains based on domestic and world market price changes, and on the basis of their own positions.

[Question] Accordingly, the possibility of raising prices significantly depends on the bargaining position between enterprises and their customers, but at the same time also between you and the enterprises. Isn't there a threat that for instance manufacturers of base materials with an ability to make their interests prevail will improve their position to the detriment of the processing industry?

[Answer] This threat exists. The base material sector, however, lends itself easily for central control. There are relatively few enterprises and only a few products--on occasion some commodities. This fact enhances our capability to exert control. In this sector the regulation of justifiable income positions is possible through the reduction of price supports and through taxation. Their prices are aligned with world market prices, and they too are subject to taxation.

The concern in the processing industry is that according to preliminary macro-economic estimates a major part of their profits would be derived from exports. Domestic sales alone would constitute losses for a few specialized branches. It is thus obvious that a pricing system like this would not be functional. For this reason we have recommended that in these specialized branches a minimum profit be assured for the domestic sale of products, through price indexes promulgated along with the price adjustments.

[Question] Where are you going to find resources for this action? Would it not be useful to take advantage of the tax and price reform by transferring resources from the base material sector to the processing industry?

[Answer] We should not expect that much from tax and price reform. These reforms will not be able to resolve all those problems (e.g. the problem of allocations) which we were unable to resolve for ten years. In principle I would approve of this kind of regrouping of resources, but this kind of action must take shape as part of the continuous economic decision making process. At present it would cause more trouble than good.

[Question] What is the outlook concerning the number of enterprises operating with a loss, alternatively, the number of enterprises with a shortage of operating funds?

[Answer] According to our estimates, their number is going to increase significantly. There will be many enterprises that must rethink their activities, and in this relationship economic management must also review its past conduct.

[Question] With respect to these enterprises will you resort to the liquidation and bankruptcy provisions? Or are the insolvent enterprises going to receive another probationary period?

[Answer] The government is determined to enforce these legal provisions. Structural transformation becomes possible only in this way, and this is deemed to be necessary also by the November 1986 resolution of the MSZMP CC. Accordingly, we are looking forward to a great number of liquidation and bankruptcy proceedings, and, of course, we will have to know how to deal with these. The cessation of the manufacture of one or another product can cause cooperative disturbances and disturbances in supply, while imports cannot be increased sufficiently. No, we are not looking forward to a "come what may" situation by closing down loss operations one after the other.

[Question] I assume that supply considerations will also play a role with respect to what expenses the Office of Materiel and Price Control will deem to be justified. It would appear that the possibility of raising prices could serve as an escape from an enterprise's continued loss operation, and could forestall bankruptcy proceedings. Accordingly, the realization of this possibility also depends on bargaining with your Office.

[Answer] In justifying expenses we certainly will consider the supply situation. Nevertheless in our considerations we would view entire trades or specialized industries as a whole.

[Question] Isn't there a question mark after the words tax reform and price reform? I assume that these reforms are of questionable validity considering the fact that pricing takes place in the framework of a bargaining process with government offices. This process carries the danger of reverse adjustments, and makes the role of prices by which they influence the structure more subjective.

[Question] One thing is certain: following tax reform the opportunity for obtaining exceptions, the chance of government intervention and for bargaining will be sharply reduced. So far it appears that conditions for structural transformation will improve. Undeniably, however, economic policy makers will carry an equal burden of responsibility. There is no system in the world that could not be interfered with. A more consistent system of taxation must be coupled with a more consistent conduct on part of economic policy makers and economic managers.

In this context, for instance, our market supervision activities must be reinforced with market building activities. I have no illusions: parallel with the introduction of tax reform, operative interventions, trouble shooting

will increase temporarily. The reformed taxation and pricing system will become truly effective only under competitive supply conditions. The program that defines the tasks of a conscious, planned building of the market--to be ready this Fall--has this as its aim.

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CSO: 2500/452

## COMPUTER CENTER IN MOSCOW

Warsaw ZYCIE WARSZAWY in Polish 31 Jul 87 p 4

[Report from permanent Moscow correspondent, Andrzej Bajorka, dated 30 July]

[Text] Computer science is beginning to occupy a greater place in Poland's export to the USSR, and more specifically, computer equipment. Their sales on the Soviet market, by METRONEX, tripled in the last 4 years. The supplier, in terms of rubles, has become a multimillionaire, and in terms of zlotys, a billionaire. Last year, for example, sales totaled 33 billion zlotys.

Sales consist mainly of peripheral equipment for Soviet computer systems, and deliveries of our computer systems, including the KAMAC system. (The KANAC system consists of sets of instruments by which it is possible to link a given facility with computer equipment).

Several thousand Polish computer systems are now operating in the Soviet Union. In addition to the European part of the country, they are now being used in regions as distant as Eastern Siberia, the Far North, and the Pacific Coast.

METRONEX, which has been selling on the Soviet market for 22 years, has recently improved and expanded its technical service. In any case, this is an essential condition in today's market if one is to remain in business and expand. In order to efficiently service the equipment that is sold, engineering and organization must be correct. It is the same with user-training as regards service on equipment that is imported. The days when the equipment was demonstrated and the deal was concluded with a handshake are long gone. In short, if sales of computers are to be a serious business, a real technical sales training center must be set up.

In the Soviet Union, which is the most important buyer of our equipment, such a center is more than necessary. Specific steps have already been taken to set it up. The Moscow authorities have made two buildings (originally intended for something else) available, they are now in the final phase of completion. This, of course, will hasten the opening of the center, which is scheduled for early in 1988.

A ceremony at which the building was turned over to the Polish user was held on Thursday, July 30. The Polish ambassador to the Soviet Union, Wlodzimierz Natorf, visited the building, accompanied by the head of the trade office in Moscow, Jan Giezgala, METRONEX directors Bogdan Parlewicz and Jan Kolanski, and the head of the firm's office in Moscow, Konstanty Zdanski. Representatives of the local Moscow authorities were present, along with the assistant director of MOSSOVIET, Genadi Arzanow.

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CSO: 2600/753

## LAW ON INNOVATIVE COMPANIES PUBLISHED

Warsaw DZIENNIK USTAW in Polish No 22, Item 126, 28 Jul 87 pp 237-239

[Law 126 dated 16 July 1987 on innovation-applications companies]

[Text] The activities of innovation-applications companies are a part of all of the innovational activities which, as creative work and an important factor in technical progress affecting the development of the national economy, have the special support and pro in technical progress affecting the development of the national economy, have the special support and pro conduct or undertake activities aimed at applying scientific, technical or organizational achievements, after fulfilling the special requirements defined in the law, confirmed by entry into the register, are innovation-applications companies, henceforth referred to as "innovative companies."

Art 2.1. Economic units, in the understanding of the law, are:

- 1) state enterprises, research and development units, cooperatives, companies with foreign ties, and social organizations conducting economic activity through separate economic units,
- 2) legal persons who are not public sector units, natural persons, and civil law companies,
- 3) trading companies, including those established with the participation of the State Treasury, banks, public sector units, and natural persons,
- 4) plants of public sector units and scientific centers of the Polish Academy of Sciences, preparing their own balance statements, and higher school units conducting contracted activity defined in art 5 par 1.

2. In the companies established with the participation of the originators of scientific, technical or organizational achievements, the originator's share in the company's plant capital may represent the value of his own achievement.

3. If to the plant capital of the company referred to in par 2 a contribution is made on which a value has not been fixed, its amount established in a



contract with the company cannot exceed 20 percent of the company's plant capital.

Art 3.1. Regulations concerning the functioning and principles of establishing and disestablishing economic units apply to innovative companies if the provisions of this law do not state otherwise,

2. Innovative companies benefit from reliefs and preferences described in this law, regardless of the reliefs to which they are entitled on the basis of separate regulations.

Art 4.1. Scientific, technical or organizational achievements are understood to be:

1) inventions and utility models,

2) not the obvious result of the state of science and engineering, solutions other than those named in point 1, suitable for application, constituting own or acquired results of research, experimental, design or organizational work.

2. By applying a scientific, technical or organizational achievement, it is understood to mean its application (use) in socioeconomic practice, and particularly in production.

3. By organization of application of a scientific, technical or organizational achievement it is understood to mean activities aimed at adapting the results of scientific-research work to the first application.

Art 5.1. Economic units may be innovative companies if:

1) they manufacture products or perform services which are the first application in the country of scientific, technical or organizational achievements, but within a period of no more than 3 years from the date their application began, do not have a workforce of over 50 persons, and obtain in the applicable tax years at least 70 percent of their receipts from these activities, or

2) their primary activity is the turnover of scientific, technical or organizational achievements, or organization of the application of these achievements, and obtain from this in the applicable tax years at least 70 percent of their receipts.

2. The Minister-Director of the Office of Scientific-Technical Progress and Applications in particularly justified cases, at the request of an interested economic unit, may:

1) specify for the first year of activities a lower than stated in par 1 pts 1 and 2 percentage of receipts, but not less than 50 percent,

2) agree to an increase in the workforce specified in par 1 pt 1, but no higher than to 100 persons.

Art 6.1. Economic units, at their application, are listed in the register of innovative companies, henceforth called the "register."

2. An application to be listed on the register must include:

- 1) the name and address of the economic unit,
- 2) the object and scope of action,
- 3) a description of the scientific, technical or organizational achievement which will be the object of application or performance of services,
- 4) a statement of the types of scientific, technical or organizational achievements which will be the object of turnover of the organization of their application,
- 5) the planned ultimate size of employment and anticipated share of receipts from the innovative activities in the total receipts,
- 6) a statement of the value of the fixed and turnover assets which constitute the first outfitting of the company, and an indication of the source of their financing,
- 7) an indication of the persons authorized to represent the innovative company.

Art 7.1. The register is conducted and the entries in it are made by the Office of Scientific-Technical Progress and Applications. The applicant is informed when the entry is made.

2. Entry on the register of a newly-formed economic unit or one beginning innovative activity can be made conditionally, if this unit agrees to fulfill the requirements defined in art 5 par 1 or 2 within 12 months from the date of the entry.

3. Entry on the register is regarded as having been made if during 2 months, counting from the date of the application referred to in art 6 par 2, the applicant has not been informed about a lack of requisites to the making of the entry.

4. The Office of Scientific-Technical Progress and Applications:

- 1) does not make an entry on the register if considerations of defense or state security dictate against the planned activity,
- 2) will remove an entry from the register if the innovative company has ceased to fulfill the conditions described in art 5 par 1 or 2.

5. Removal from the register is by way of an administrative decision. This decision may be appealed to the Supreme Administrative Court.

Art 8.1. Innovative companies which are units of the socialized economy:

1) reduce the sum of their income tax by the amount of the expenditures from prime funds allocated for the financing of research and development ventures and investment outlays connected with the innovative activities, and by the funds allocated for repayment of investment credits drawn for these activities.

2) expenditures for technical and economic progress are a direct charge to the costs of activities,

3) the following exemptions apply:

a) payments to the Fund for Servicing the Foreign Debt,

b) payments to the Central Fund for the Development of Science and Engineering,

c) deposits on investments involving construction which includes buildings, and in addition,

4) exemption from a tax on above-norm salary payments, if they fulfill the conditions referred to in art 5 par 1 pt 1, taking into consideration art 5 par 2.

2. Innovative companies which are state enterprises are exempted from the obligation of making depreciation payments to the central budget or the centralized voivodship depreciation account.

3. The provisions of par 2 apply to plants preparing their own balance statement in state enterprises which are innovative companies.

4. The provisions regarding size of employment and funds for salaries do not apply to higher school units which are innovative companies.

Art. 9.1. Public sector units, which contribute money from the development fund to trading companies which are innovative companies conducting activity referred to in art 5 par 1 pt 1, reduce the sum of their income tax by 50 percent of the contributed share.

2. When a plant preparing its own balance statement is an innovative company conducting activity referred to in art 5 par 1 pt 1, the economic unit which is a multiplant enterprise deducts from its income tax those expenditures from its prime funds which were made by this plant in the applicable tax year for the financing of research and development ventures and investment outlays connected with innovative activities, and also funds allocated for repayment of investment credits drawn for these activities.

Art 10.1. Innovative companies which are not public sector units pay an income tax reduced by 50 percent of proven expenditures, which are not costs of obtaining receipts, allocated for the financing of research and investments connected with the activities described in art 5 par 1. This reduction also applies to expenditures made in the years preceding the year in which the income from these activities was obtained.

2. In the case referred to in par 1, tax reductions by virtue of investments, provided by separate regulations, do not apply.

3. The rules and procedures described in the regulations on tax reductions by virtue of investments apply to the reduction referred to in par 1, except that the reduction by virtue of expenditures allocated for the financing of research and development and investment ventures applies regardless of the sum of these expenditures.

4. Innovative companies which are not public sector units are exempted from income tax on receipts from innovative activities during 12 months from the date the entry was made in the register, unless they are already benefiting from an exemption from this tax on the basis of separate regulations.

Art 11.1. The reductions described in art 3 and 9 are applied on account during payment periods and settled after the innovative company submits a balance statement or makes an accounting for the tax year to which these reductions apply.

2. In a case where the conditions described in art 5 par 1 or 2, are not fulfilled, the economic unit loses its entitlement to the reductions described in art 8, 9 and 10 for the tax year on which an accounting must be made.

3. The settlements of accounts referred to in par 1 are made by the locally applicable treasury offices.

Art 12.1. Sales and deliveries of raw and other materials, fuels and energy, and products for the innovative companies referred to in art 5 par 1 pt 1, take place according to the rules described in the regulations establishing preferences in regard to supplies.

2. Sales of products of innovative companies are not subject to obligatory intermediation in turnovers.

Art 13.1. Prices of goods and services manufactured (rendered) by innovative companies within the framework of the activities described in art 5 par 1, are contractual prices.

2. In agreeing upon the contractual prices described in par 1, the innovative company is not required to submit price calculations to the buyer.

3. In establishing prices on goods and services described in par 1, regulations on the following do not apply:

- 1) a periodic bans on price increases,
- 2) a periodic maximum price growth indicator,
- 3) the obligation to inform the treasury offices of an intent to increase a contractual price.

Art 14. Innovative companies apply a foreign-exchange allowance rate amounting to 50 percent of foreign-exchange receipts. The Minister of Foreign Trade may, at the request of the innovative company, establish a higher rate.

Art 15. In competing for a license to conduct foreign trade operations, the innovative company has no obligation to show that it has achieved a value of direct export of produced goods or services rendered amounting to at least 25 percent of its own production or services, or has exceeded, on an annual basis, the value of this export defined in separate regulations.

Art 16. The income tax on income obtained by the originator to whom reference is made in art 2 par 2, by virtue of his share in the company as described in this provision, cannot be fixed in an amount exceeding 50 percent of this income.

2. Innovative companies may enter into contracts about the work with originators of the achievements, referred to in art 4, par 1, who are not owners of these achievements.

3. In establishing a tax on salaries obtained by virtue of the contracts referred to in par 2, a consideration is given to the cost of obtaining these salaries amounting to 50 percent.

Art 17. In a case where an innovative company is a natural person, this person as regards innovative activity is exempt from a requirement to obtain permission for manufacturing, service or trading activity.

Art 18. The Minister-Director of the Office of Scientific-Technical Progress and Applications may allocate funds from the Central Fund for the Support of Applications as the State Treasury's share in mixed-capital enterprises or in trading companies which are innovative companies and represent the State Treasury in these companies.

Art 19. In the law dated 23 December 1985 on central funds for the development of science and engineering (DZIENNIK USTAW No 59, item 297, and in 1986, No 47, item 226) art 5 will now read as follows:

"Art 5.1. The Central Fund for the Support of Applications will be used to additionally finance the applications ventures which are of vital importance to the national economy, and for State Treasury shares in mixed-capital enterprises or trading companies which are innovative companies.

2. Contributions which are a return of the financial assistance granted and income from the shares referred to in par 1, are also credited to the Central Fund for the Support of Applications."

Art 20. The law goes into effect on 1 September 1987.

(for) Chairman of the Council of State: K. Barcikowski  
Secretary of the Council of State: Z. Surowiec

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CSO:2600/764

## CHANGES PLANNED IN SEMI-PRIVATE FRANCHISE SECTOR REGULATIONS

26000773b Warsaw RZECZPOSPOLITA in Polish 14 Aug 87 p 1

[Unattributed article: "Franchises Are Also a Way to Better Retailing"]

[Text] At the beginning of the 1980's there were about 50,000 franchise stores and booths. In other words about every third sales outlet was part of this system. Among restaurants, franchises constituted nearly half of the system. In the following years, the number of these outlets fell by nearly half.

The enterprises generally support franchise stores, for they frequently produce greater profits than other outlets. Franchises also do not encumber the wage fund, alleviate personnel problems. Unfortunately, despite the improvement of the market situation, of supplies, which makes it easier for agents to conduct operations, interest in this form of retailing remains low, basically because of the administrative and accounting obligations placed on agents for the last several years. The whole complex of accounting and reporting not only takes much time that a good agent should use to locate supplies and service clients but exceeds the qualifications of many of them. One hears the opinion that in order to perform this work one must hire an accountant!

Theoreticians and practitioners agree that retailing will not meet its growing tasks without a powerful development of franchises. In the program of retail operations outlined in the plan for the second stage of the reform, it says that this system should include at least 40 percent of the outlets. Is this possible given the current regulations and principles in this area? Surely not.

Thus at the Ministry of Domestic Trade and Services we learn that this ministry is attempting to adapt the design of this system to the expectations of the interested parties. Decisions on some matters have already been made; others are being discussed or are being completed at the ministry.

Thus, for example, this year the limit on turnover that determines the kind of documentation to be maintained has been raised. If the turnover does not exceed 30 million zloty annually then a so-called tax book suffices. At higher levels, a more complicated sales book is necessary. Outlets that have an annual turnover below 4.8 million zloty are no longer required to maintain

the time consuming quantity files, as they are called, a daily record of the quantity of particular goods sold. Recently, simplifications were introduced to release those who stores sell agricultural and food articles from the requirement of maintaining a quantity file (except flower shops and those that sell imported articles) and those who buy and sell used goods produced domestically. An agent whose store sells industrial products also does not have to maintain such a file for those whose price is less than 1,000 zloty.

The Ministry of Finance will not agree to a change in the tax system for franchises, to the introduction of a system that would not require such complicated documentation at all (for example, a flat rate system). It has been decided to raise the limit on turnover annually that determines the type of accounts to be maintained or releases an agent from maintaining a quantity file. How much? By the planned index for retail price increases in the central annual plan. The size of these sums will be set by the minister of finance (MONITOR POLSKI for 15 December 1986).

The maintenance of tax documents unfortunately does not exhaust the agents' bureaucratic obligations. He must also maintain a separate record for his firm. Consultations are in progress with the enterprises to modify the accounts (tax, sales) so that they can also serve for the trade firms.

The ministry of trade is also trying to get the Ministry of Finance to exclude the agents income earned during non-working days (Saturday, Sunday) from the equalization tax beginning on 1 January 1988. This is essential, if we want for retailers to be open also on non-working Saturdays and frequently on Sundays.

Work is also underway on modifying government resolution no 17 of 1983 in light of the second stage of the reform; the resolution concerns the general principles on franchises. Among other things this concerns transferring not only outlets with four or fewer employees but those with five or fewer employees to the franchise system. For many who would like to become agents the first barrier is the deposit. At present it equals 10 percent of the value of the outlet's equipment and at least 20 percent of the inventory of goods. This sum usually amounts to more than 1 million zloty. The Ministry of Domestic Trade and Services has proposed lowering these percentages, if the store location is not in a shopping center or the agent is to become a retail trade employee (5 years of exemplary work). If both of these conditions are met, then the deposit would be further reduced by an appropriate sum.

Society's demands on retail trade are growing; thus, its tasks will also grow. Meeting them will not be possible without significant changes. Among others, there are reserves in improved organization, in better use of the existing facilities and personnel. Franchises operating on sound principles, giving an incentive to work longer hours, using family help, and tapping unconventional sources of supply are one of the ways toward better retail trade and restaurants. After years of more or less successful experiments in this area, it is time for an enduring set of provisions that guarantees the development of this proven form of trade.

## UPDATE ON FIRST BOND ISSUES

Warsaw POLITYKA in Polish No 30, 25 Jul 87 p 4

[Article by Joanna Solska]

[Text] Director Zimmol anxiously watches the quotations on the dollar and the West German mark--it is because of them that his bonds are dropping before his very eyes. True, every one of the 400 coupons continues to be worth a million zlotys, but they can be redeemed for fewer and fewer dollars. These, in turn, are steadily losing value in relation to the mark. And yet the Katowice Printing Plants were the first in the country to issue bonds simply in order to buy dollars in return for them, change the dollars into marks, and use those to import new machinery.

The idea came about in October of last year when the official rate of the dollar fluctuated around 200 zlotys. It was figured then that these 400 million zlotys would be enough to purchase the foreign exchange necessary to buy the printing equipment from the FRG which had been ordered a long time ago. Nine months have passed and the machines are still sitting at the manufacturers, and Katowice is still waiting for the allocation of foreign exchange. Today, in order to purchase it, over 600 million zlotys are needed.

The bonds alone solve nothing for the Plants. Without the right to purchase foreign exchange they are almost worthless paper. Foreign exchange is allocated by the Ministry of Culture and Art, but not until it receives money from the Planning Commission to implement the program to modernize the printing industry. At stake are millions of dollars, not one million of which the involved parties are able to earn themselves, and the condition of the printing equipment does not even allow them to think about production for export. In this situation it is obvious that support has to come from the outside.

The machines which had been ordered were supposed to reach Katowice during the last quarter of last year. But they could not be fitted into the foreign exchange distribution even in the first half of this year. There is some hope for the second half of this year. It is conceivable that the feasibility of issuing additional bonds will have to be explored. Or that some relief be granted so that when foreign exchange is available, there will be money with which to buy it.



## Many Were Eager

Before Katowice Printing Plants obtained permission from the Ministry of Finances to issue bonds, they had to furnish a list of prospective buyers. Therefore, they put a notice in the paper. There were more potential customers than the number of coupons offered. They chose those which suited them the best. They will sell the most to the Silesian Publishing House (for 30 million zlotys), and 20-million's worth to Czytelnik, the same as to the State Medical Publishing Plants. Other purchasers include the Agricultural and Forestry Publishing House, Wiedza Powszechna Publishing House, AGPOL, etc., in all, 30 enterprises.

Director Jan Zimnol does not really want to talk about the criteria used in choosing the buyers. Generally speaking, they selected those which can and want to offer their services. Not necessarily on the machines which they will buy thanks to the bonds. They included past customers as well as those for whom the Plants have not printed anything. All of them are establishments in the public sector.

What will happen with the customers who do not buy bonds? Director Zimnol assures us that they will not lose anything. The Printing Plants will not stop collaborating with them, although, understandably, they will not be able to expand this collaboration. Naturally, bond-purchasers will have priority.

And that is precisely the point. The purchasers did not buy the bonds out of a greed for profit, because the bonds will pay 3 and 6 percent interest per annum, which is much less than the official inflation indicator. The publishing houses have reconciled themselves to this loss because they are less interested in money than they are on getting into the new distribution list. Every million-zlotys bond will be paid off by Katowice Printing Plants at the rate of 2,000 zlotys a year (beginning in 1991) plus interest (payable starting next year), but what is most important, the coupon is valuable because it requires the factory to print, for its purchaser, titles for a million or two million zlotys a year. And we know that the greatest worry of every publisher is to squeeze a title into a printing plant's schedule.

The publishers know very well that the Polish printing industry is more dead than alive and its own meager funds make modernization out of the question--even if it obtains a foreign exchange allocation out of the state budget. The printing plants, in turn, know that the publishers are wealthier than they are, and have been going to them with outstretched hands for a long time. The Katowice Printing Plants have equipment on their floor which was paid for by their clients. But now they need big money and not sporadic help. They could go to the bank for a loan, but the bank wants 12 percent interest a year. And furthermore, the bank asks many more troublesome questions than a potential purchaser of a bond. Therefore, issuance of bonds seemed to be the best solution for the Printing Plants.

## No Risk

It is too bad, they say in Katowice, that the Ministry of Finances did not allow the Plants to negotiate with the publishers about the amount of interest. Therefore, they proposed 3 and 6 percent, "in the dark." Now they know that if it had been 1 and 2 percent, for example, that, too, would have meant nothing, because it was not a matter of the interest rate.

They are also sorry that this same Ministry did not allow them to print the bonds themselves. After all, they have the right equipment. They were instructed to order the bonds from the State Office for the Printing of Bonds and Paper Currency, which demanded 1,500 zlotys per coupon for printing. And did not complete the deal until the end of June. Which means nothing, anyway, because after all, the foreign exchange still has not been allocated.

Director Zimnol is not afraid of a risk because there is no risk involved here. The development of the printing industry is a government program, so the foreign exchange ultimately must be made available. And the Ministry of Culture and Art is worrying about it already. It is true that importation of machinery does not solve the problem of the shortage of paper and cardboard, which may mean that the machines may not be fully utilized. But, in turn, the publishing houses have to worry about this because it is they, and not the printing plants, which receive paper allocations. If a publishing house does not obtain the necessary amount, it will have only itself to blame when the printing plants cannot complete the job for that reason.

## Enthusiasms Have Waned

On the other hand, the publishers, although they have not yet purchased the bonds, have become less enthusiastic. Some are actually becoming apprehensive.

"Everything was alright as long as the Katowice Printing Plants were the only ones to announce the issuance of bonds," said the manager of a publishing house which will spend 60 percent of its development fund for the purchase. "We were even glad that, thanks to the bonds, we will be able to have the titles printed there which others did not want to accept. But KPP prints only 10 percent of our publications. The others are scattered in many other plants. Now these others have also announced that they will issue bonds--at 2 percent interest or no interest at all. Yet we simply cannot afford another expenditure of this type. There are wealthier publishers, for example those which publish mysteries or other very popular publications, but most publishers are in the same financial situation."

The Polish printing industry cannot be modernized out of its own funds. The prices of books would have to rise to absurd amounts and they would no longer be accessible to those for whom they are intended. An atlas, dictionary, or scientific publication, which are already heavily subsidized, would cost many thousands of zlotys.

The situation today is such that with the existing equipment, the printing plants can assemble fewer and fewer pages. For example, for a year now, no

plants will accept for printing a volume thicker than 30 folios. A dictionary which could formerly be fitted into four volumes now has to be printed in eight. Everyone of them has to be bound, and this takes twice as much cardboard, fabric, and time. And the price will also be higher.

It takes longer and longer to print scientific publications, dictionaries and encyclopedias. The publishers of ambitious, scientific titles are among the most impoverished. They are afraid of what will happen to them if the printing plants began to issue bonds en masse. Today they cry but they pay. Tomorrow--they simply will run out of money. And the printing plants will run out of the "capacity" to service those who refused to support them. In the new distribution list the richest will have the highest priority. And what, then, will we look at in the bookshops?

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CSO: 2600/753

## RESULTS OF LODZ FACTORY VOTE ON STOCK SALES

26000773a Warsaw RZECZPOSPOLITA in Polish 10 Aug 87 p 5

[Article by Marian Strzelecki: "Stock at Uniontex: A Referendum and Then What?"]

[Text] The Lodz Cotton Industry Plant Uniontex is among the oldest in the Polish textile industry. The plant was founded in 1827. In the production buildings, in which Scheibler and Grohman walked, stands machinery from the last century.

The enterprise has a closed technological cycle; it produces threads and cloth. The finishing department produces finished products: bedding, clothing, underclothing, decorative items, shirts, flannels, blankets, and plaids. In a year the plant produces about 58,000 km<sup>2</sup> of finished material, of which nearly 15 percent is exported.

Today the topic which is being discussed energetically both in the office buildings and the production buildings, is the introduction of a workers' stock fund. The plant stock, as the problem is known for short, is the idea of Jozef Grzegorzcyk, the plant's chief director.

"There are no ready models. There are examples of stock sales from 1912, 1915, but they are of no use for us," says Jozef Grzegorzcyk. "The plant must remain socialized. We want, however, to introduce a model that lets the worker believe that he is working at his plant and for himself. We are not interested in giving money for bonds, but in more powerfully joining people with the plant."

The workers' council and all the delegates to the general meeting unanimously supported the director's idea of stock. They decided to conduct a referendum. Of the total of 5,949 employees, 1,183 could not participate for important reasons (vacations, sickness). There were 1,688 votes in favor of the introduction of a workers' stock fund or 50.3 percent; there were 1,167 votes against or 34.7 percent; 15 percent had no opinion.

The workers who participated in the referendum voiced many opinions and observations in the survey. Many called for lowering the values of one share from 10,000 to 5,000 zloty. They were also for raising the rate of return on

the stock to a level more favorable than that in the General Savings Bank. They also opted for the right for retirees to purchase stock. There were also proposals to form a supervisory council in place of the workers' council and making the strength of a supervisory council member's vote depend on the number of shares he holds.

"It appears that the majority of those voting against the introduction of a workers' stock fund said they lacked savings," says Stanislaw Zarychta, chairman of the workers council. He is probably right.

"I cannot afford to buy stock. My wage serves to pay for current needs," says Janina Kulinska, a spinner, who has worked here 28 years. "I earn from 25,000 to 28,000 zloty. If the rate of return was decidedly favorable, then I could consider the proposal."

Other women working in the spinning section expressed similar opinions. Foreman Wieslaw Pejko says he supported the introduction of the stock, but he believes that the rate of return must be higher than in the General Savings Bank and should be around 20 percent.

At present they are working on a proposed set of regulations for the workers' stock fund at the plant.

"The entire project is an innovation even nationally. Thus, we must consult with the National Bank of Poland, the Ministry of Finance, and the Ministry of Labor, Wages, and Social Services on substantive issues. If there are no obstacles, then the idea can be introduced beginning on 1 January 1988," Director J. Grzegorzczuk said. "The money earned from the sales will be invested in technical advancement. That is the most important thing for us. We must update our machine park; it is the basis of progress. The current year looks good for our economic performance. We intend to pay the workers a portion of the awards from profits in stock."

The introduction of the workers stock fund will surely accelerate the modernization of the plant and liberate the initiative of many workers. There is a chance for further improvement in quality and a significant increase in production.

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## BRIEFS

BORDER TRADE WITH KALININGRAD--On 13 August border trade of surplus goods between the Elblag Voivodship and the Kaliningrad Obwod began. Refrigerators, bedroom furniture, cameras, and tableware were shipped to Elblag; upholstered furniture, dresses, blouses, and summer footwear were shipped to Kaliningrad. It was agreed that the value of the shipments by each side should at first be about 1 million rubles. Elblag will ship pajamas and women's clothing produced at the local Truso Clothing Industry Plant, leather clothing made by the Renoma Cooperative, and leather suitcases, dressing cases, and purses from the Plastyk Cooperative. The project also covers a portion of the abundant harvest of vegetables and fruits from the Voivodship Fruit and Vegetable Industry Plant in Kwidzyn. Kaliningrad is to respond with frozen fish and canned fish which it has in abundance because its fishing fleet is smaller only than that of Vladivostok and Murmansk in the USSR. Kaliningrad will also supply home appliances, furniture, musical instruments, and photographic equipment. [Text] [26000773c Warsaw RZECZPOSPOLITA in Polish 14 August 87 p 1] 13021

USSR RAIL TRANSPORT COOPERATION--Beginning this month, the capacity of Soviet coal cars, which after exchanging their undercarriages at the international transfer station in Medyka and bringing concentrated coking coal or iron ore to the Lenin Steelworks, will be fully exploited in both directions. After unloading at the Krakow steelworks, each car is sent directly to the coking plant Zdzeszowice near Gliwice to pick up a return shipment of coke for export to the Hungarian People's Republic. This eliminates trips by empty Soviet cars returning to Medyka and Moscisk, and the export of Polish coke to Hungary is achieved without using the Polish railways own rolling stock for coal. The benefits of this rational use of rail transportation are very great for the economy. The introduction of this solution is the result of a mutual agreement by the Polish and Soviet sides at the ministerial level. This is another example of closer socialist economic integration within the CEMA, this time in the field of transportation. [Text] [26000773d Rzeszow NOWINY in Polish 30 Jul 87 p 1] 13021

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